

**City of Gallatin, Tennessee**  
**Comprehensive Annual Financial Report**  
**June 30, 2007**

**Prepared by: City of Gallatin, Department of Finance**  
**Matt Stewart, Director of Finance**

CITY OF GALLATIN, TENNESSEE  
Comprehensive Annual Financial Report  
June 30, 2007

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## **Introductory Section**



March 5, 2008

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Gallatin:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Gallatin for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City of Gallatin. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gallatin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gallatin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gallatin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gallatin's financial statements have been audited by Parker, Parker & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gallatin for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gallatin's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Gallatin's MD&A can be found immediately following the report of the independent auditors.

#### Profile of the Government

The City of Gallatin, incorporated in 1953, is located in the middle part of Tennessee. The City of Gallatin currently occupies a land area of almost 26 square miles and serves a population of 23,917. The City of Gallatin is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Gallatin has operated under the council-mayor form of government since 1953. Policy-making and legislative authority are vested in a governing council consisting of the mayor and seven councilmen. The governing council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the government's attorney. The mayor of the City of Gallatin is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a nonpartisan basis. Council members serve four-year staggered terms, with three or four council



The City of Gallatin provides a full range of services, including police and fire protection; construction and maintenance of streets, and other infrastructure; recreational activities; and cultural events. Utilities are provided by the City's Gallatin Public Utilities (gas, water, and sewer) and Gallatin's Department of Electricity. In addition, the City of Gallatin operates the Long Hollow Golf Course. These comprise the proprietary funds. Other units of general government include environmental services, a drug fund, capital project funds (for development of parks, roads, etc.), cemetery trust fund, and educational loan fund.

The annual budget serves as the foundation for the City of Gallatin's financial planning and control. All agencies of the City of Gallatin are required to submit requests for appropriation to the Finance Director on or before March 15 each year. The Finance Director uses these requests as the starting point for developing a proposed budget. The Finance Director and Mayor then present this proposed budget to the council for review prior to June 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. However, transfers of appropriations between departments will require special approval of the governing council. Budget-to-date comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted by the council. For the general fund, this comparison is presented on page 33-40 as part of the basic financial statements for the governmental funds. For funds (other than the general fund) with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report. Also included are comparisons for the drug fund and environment services fund.

#### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Gallatin operates.

**Local Economy.** The City of Gallatin currently enjoys favorable economic environment and local indicators point to continued stability and growth. A significant number of new residential developments are underway or planned. The region also has several new retail establishments in the works. A varied manufacturing and industrial base adds to the relative stability of the unemployment rate. Major industries in the area include: clothing distributor; manufacturers of furniture, automobile parts, homes, and stone; commercial printing; local hospital; two major corporate headquarters; and local college. The City of Gallatin is within commuting distance to Nashville. Sumner County (which includes the City of Gallatin) employs a local labor force of 78,340 and a regional labor force of more than 500,000 with an unemployment rate that stays around 4%.

**Long-term financial planning.** The governing council has laid out a five year strategic plan to strengthen the city. The City of Gallatin has funds set aside to build a new service center with an estimated total cost of \$1 million. The City continues to develop the Triple Creek Park on the northeast side, with the estimated completion cost at \$1,700,000. This park will include a football complex, adult softball complex, youth softball complex, soccer complex, adult baseball complex, picnic area, playground areas, and a walking path. Already underway is a revitalization and refurbishment plan for the downtown area of the City and an extensive greenway project. The City is developing a long range plan for solid waste disposal as well. Another priority for the City is the development of the storm water drainage program. Several major streets are in construction, including the extension of Hancock/Maple Street to Tulip Poplar Drive, the extension of Greenlea to SR386, and widening of N. Belvedere Drive, among others. The State of Tennessee completed the extension of SR386 during 2007; the interstate allows citizens to go from Gallatin's bypass all the way to Nashville.

**Cash Management Policies and Practices.** Cash temporarily idle during the year was invested mainly in Green County Bank. Other amounts were invested in longer term government securities. The City maintains a minimum amounts in other local banks to cover current expenditures and bond payments for the current period.

**Risk Management.** The City of Gallatin reduces its exposure by maintaining a worker's compensation insurance policy for all employees through Tennessee Municipal League. The safety committee requires post accident drug screens, reviews all accidents weaknesses in safety, and conducts work site

inspections. Likewise, the City maintains an insurance policy to cover all major incidents. The City of Gallatin continues to maintain \$150,000 reserve to cover deductibles in the event of a major disaster.

Pension and other post employment benefits. The City of Gallatin offers a 401K retirement program to its employees. The City contributes 5% of the employees' salary and matches up to an additional 4%. The plan is maintained by a third party and funded by the City on a timely basis. The City of Gallatin offers retiring employees a portion of their unused sick leave balance, depending on age and length of service.

#### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Gallatin for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Gallatin finances.

Respectfully submitted,



Matthew S. Stewart  
Finance Director



Eve Kim  
Deputy Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gallatin  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

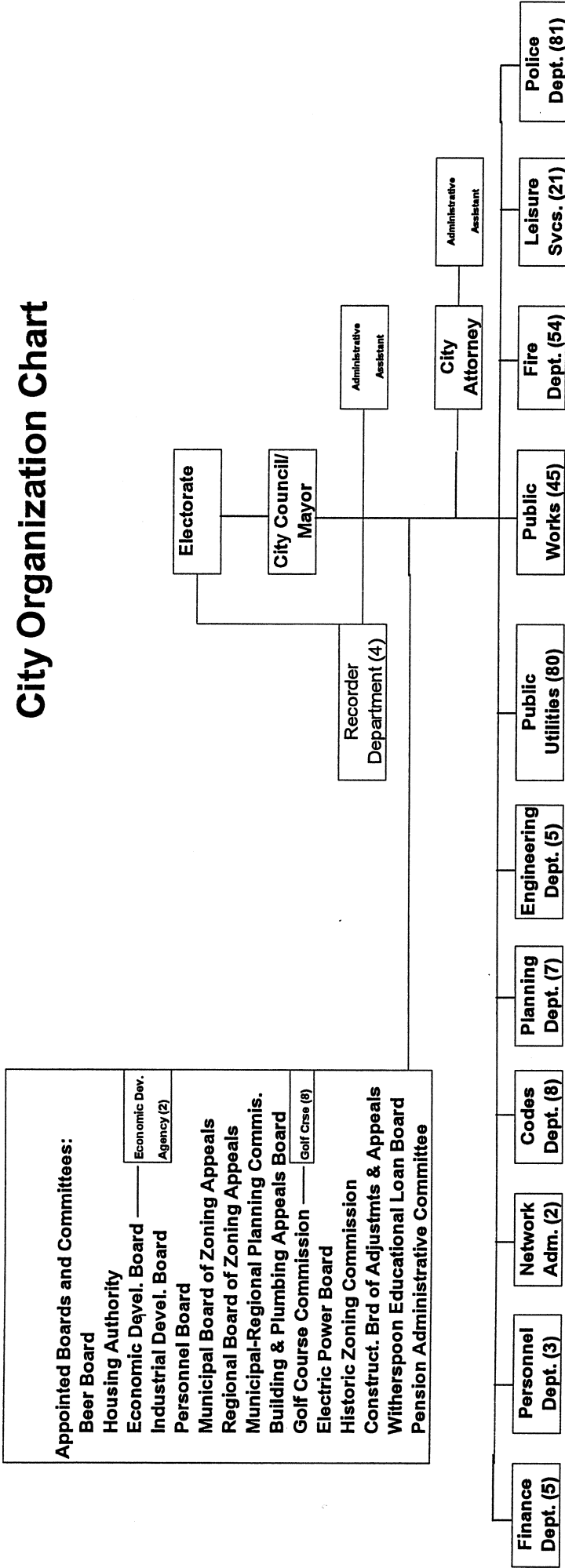
President

*Jeffrey R. Emer*

Executive Director

# CITY OF GALLATIN, TENNESSEE

## City Organization Chart



See attached breakdown

| <u>Econ Dev Agency (2)</u>  | <u>Golf Course (8)</u>   | <u>Finance (5)</u>  | <u>Personnel (3)</u>   | <u>Recorder (4)</u>   | <u>Codes (8)</u>   | <u>Public Utilities (80)</u>  |
|---|--|---|--|---|--|---|
| EDA Director (1)<br>Admin Asst (1)  | Clubhouse Mgr 22 (1)<br>Clubhouse Asst Mgr 12 (1)<br>Clubhouse Asst 9 (1)<br>Course Supt 22 (1)<br>Crew Leader 14 (1)<br>Equip Tech 14 (1)<br>Grndskpr/Spray Tech 10 (1)<br>Grndskpr/Operator 10 (1) | Finance Director (1)<br>Dep Dir of Fin 26 (1)<br>Exec Secretary 15 (1)<br>Fin/Account Clerk 12 (2)  | Pers Official (1)<br>Pers Spec 15 (1)<br>Switch Op 9 (1)   | City Recorder (1) (Elect)<br>Lead Dep Clerk 18 (1)<br>Municipal Crt Clerk 13 (1)<br>Cust Svc Clerk 112 (1)  | Building Official (1)<br>Chief Insp/Plans Exam 20 (1)<br>Plumb/Mech Insp/Plans Exam 19 (1)<br>Codes Inspector 118 (2)<br>Prop Stand & Housing Insp 17 (1)<br>Permit Spec 15 (1)<br>Permit/Records Clerk 11 (1)   | Supt of Public Utilities (1)<br>Asst Supt of Pub Util 28 (1)<br>Chief Water Plt Oper 27 (1)<br>Chief Wastewater Plt Op 27 (1)<br>Utility Ops Mgr 27 (1)<br>Gen Supv Nat Gas 22 (1)<br>Gen Supv Water 22 (1)<br>Gen Supv Sewer 22 (1)<br>Utility GIS Coord 19 (1)<br>Customer Svc Supv 18 (1)<br>Wastewater Plt Op II 18 (2)<br>Water Plt Op II 18 (2)<br>Utility Inspector 18 (1)<br>Util Engrg Tech 17 (1)<br>Util Maint Supv 16 (1)<br>Crew Supv Water 16 (1)<br>Crew Supv Sewer 16 (1)<br>Gas Line Welder 16 (1)<br>Lab Analyst 16 (1)<br>Motor Equip Op III 15 (2)<br>Motor Equip Op III Nat Gas 15 (1)<br>Gas Svc Tech 15 (5)<br>Exec Secretary 15 (1)<br>TV/Sealing Tech 15 (1)<br>Util Billing Clerk 15 (1)<br>Wastewater Plt Op I 15 (1)<br>Water Plt Op I 15 (1)<br>Utility Location Tech 14 (1)<br>Pump Station Tech 14 (2)<br>Meter Rdr Crew Ldr 14 (1)<br>Util Svc Tech 13 (6)<br>Cross Conn Cont Tech 13 (1)<br>Flushing Svc Tech 13 (1)<br>Gas Svc Worker 13 (2)<br>Cust Svc Clerk II 13 (3)<br>Inventory Recds Clk 12 (1)<br>Cust Svc Clerk I 12 (3)<br>Meter Reader 10 (4)<br>Wastewater Plt Attdnd 10 (1)<br>Water Plt Attdnd 10 (3)<br>Util Svc Worker 10 (12)<br>Util Dispatcher 10 (1)<br>Switch Op 9 (1)<br>Cashier 8 (2)<br>Wastewater Plt Asst 7 (1) |
| <u>Engineering (5)</u>  | <u>Planning (7)</u>  | <u>Public Works (45)</u>  | <u>Fire Dept. (54)</u>   | <u>Leisure Services (21)</u>  | <u>Police Dept. (81)</u>   |   |
| City Engineer (1)<br>Project Mgr I 22 (1)<br>Engineering Asst 20 (1)<br>Qual Con Insp 18 (1)<br>Exec Secretary 15 (1) | City Planner (1)<br>Planner II 23 (1)<br>Planner I 20 (3)<br>Planning Asst 17 (1)<br>Exec Secretary 15 (1)   | Supt of Public Works (1)<br>General Supv 21 (2)<br>Equip Maint Supt 21 (1)<br>Fac Maint Supv 19 (1)<br>Crew Supervisor 16 (1)<br>Equip Mechanic 15 (3)<br>Exec Secretary 15 (1)<br>Motor Equip Op III 15 (4)<br>Animal Con Off 14 (1)<br>Fac Maint Mech 14 (1)<br>Inmate Crew Ldr 13 (1)<br>San Equip Op II 13 (7)<br>Sign & Marking Tech 11 (1)<br>San Crew Leader 10 (3)<br>Gen Wkr/Oper 8 (5)<br>Sanitation Worker 7 (4)<br>General Worker 7 (5)<br>Inv Clerk/Custodian 6 (1)<br>Custodian 5 (2) | Fire Chief (1)<br>Asst Fire Chief (1)<br>Fire Marshal 24 (1)<br>Fire Shift Capt 24 (3)<br>Fire Captain 22 (3)<br>Fire Training Officer 22 (1)<br>Senior Fire Insp 21 (1)<br>Fire Lieutenant 21 (6)<br>Firefighter/Engr 18 (15)<br>Firefighter 16 (18)<br>Exec Secretary 15 (1)<br>Fire Dispatcher 10 (3) | Dir of Leisure Svcs (1)<br>Lsv Asst/Maint 20 (1)<br>Parks & Rec Asst 20 (1)<br>Aquatics Supv 18 (1)<br>Rec Program Supv 18 (1)<br>Lsv Maint Supv 18 (1)<br>Park Ranger 18 (2)<br>Crew Supv 16 (1)<br>Comm Supv 16 (1)<br>LSV Cust Svc Supv 16 (1)<br>Exec Secretary 15 (1)<br>Equip Tech 14 (1)<br>Crew Leader 14 (3)<br>Civic Center Asst 13 (2)<br>Cemetery Clk/Gnds 9 (1)<br>Groundskeeper 8 (2)<br>General Worker 7 (1) | Police Chief (1)<br>Police Commander (2)<br>Police Lieutenant 23 (4)<br>Police Sergeant 19 (5)<br>Police Officer 18 (49)<br>Staff Svc Supv 17 (1)<br>Records Supv 16 (1)<br>Comm Supv 16 (1)<br>Exec Secretary 15 (1)<br>Police Dispatcher 13 (9)<br>Admin Secretary 12 (2)<br>Police Evidence Tech 12 (1)<br>Records Clerk 11 (3)<br>Police Gen Wkr/Custodian 7 (1) |   |
| <u>Mayor (4)</u>  |  |   |  |   |  |   |
| Mayor (1)<br>Mayor's Admin Asst (1)<br>Network Administrator 24 (1)<br>GIS Coordinator II 19 (1)                      |  |   |  |   |  |   |
| <u>City Attorney (2)</u>  |  |   |  |   |  |   |
| City Attorney (1)<br>Admin Asst (1)   |  |   |  |   |  |   |

Legend: Position title followed by grade level. Number in parenthesis is number of employees.

NOTE: Above does not include 7 Permanent Part-time positions: 2 Traffic Control Officers (Pol), 3 Public Svc Officers (Pol), 2 Cust Svc Clerk I (Rec)

**CITY OF GALLATIN, TENNESSEE**  
**City Officials**  
**June 30, 2007**

**Elected Officials**

**City council**

|                     |                      |
|---------------------|----------------------|
| Mayor.....          | Jo Ann Graves        |
| Council Member..... | Dr. J. Deotha Malone |
| Council Member..... | Anne Kemp            |
| Council Member..... | Craig Hayes          |
| Council Member..... | Ed Mayberry          |
| Council Member..... | Dale Bennett         |
| Council Member..... | John D. Alexander    |
| Council Member..... | Jimmy Overton        |
| Recorder.....       | Connie Kittrell      |

**Officers Appointed by City Council**

|   |                          |
|---|--------------------------|
| Director of Finance.....                | Matt Stewart             |
| Director of Public Works.....           | Ronnie Stiles            |
| Superintendent of Public Utilities..... | David A Gregory          |
| Chief of Police.....                    | John Tisdale             |
| Fire Chief.....                         | William L. (Billy) Crook |
| City Planner.....                       | Jim Svoboda              |
| Director of Leisure Services.....       | David Brown              |
| Personnel Official.....                 | Dave Crawford            |
| Director of Economic Development.....   | Clay Walker              |
| Building Official.....                  | Elaine Nichols           |
| City Engineer.....                      | Vacant                   |

**Operating Manager**

|                                  |                |
|----------------------------------|----------------|
| Electric Department Manager..... | William Draper |
|----------------------------------|----------------|

**Other Key Personnel**

|                                 |         |
|---------------------------------|---------|
| Deputy Director of Finance..... | Eve Kim |
|---------------------------------|---------|

## **Financial Section**

# Parker, Parker & Associates, PLC

Certified Public Accountants

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GOODLETTSVILLE, TN 37072

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## Independent Auditors' Report

To the Honorable City Council and Mayor  
City of Gallatin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gallatin (the "City"), Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Gallatin, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gallatin Department of Electricity ("Electric Fund"), which represent 25 percent of the assets, 24 percent of net assets, and 59 percent revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and other major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2008, on our consideration of the City of Gallatin, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information on pages 2 through 10 and 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gallatin, Tennessee's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 41 through 48 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, supplementary information on pages 49 through 52 and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 9, 2008

*Parker, Parker & Associates*

## **Management's Discussion and Analysis**

As management of the City of Gallatin, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. The analysis focuses on significant financial position, budget changes and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

### **Financial Highlights:**

- The assets of the City of Gallatin exceeded its liabilities at the close of the most recent fiscal year by \$152,360,590 as compared to \$138,874,898 in the prior year. Of these amounts, \$39,221,277 (unrestricted net assets) as compared to \$29,355,321 in 2006 may be used to meet the government's ongoing obligations.
- The governments total net assets increased by 13,485,692 in 2007 and \$14,601,927 in 2006.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,477,781, an increase of \$11,210,725 in comparison to the prior year. Approximately \$9,235,919 of that total is available for spending at the government's discretion although \$2,982,877 is designated for capital projects and \$3,594,398 is designated as the "Rainy Day" fund which requires a 2/3's majority vote of Council to appropriate.
- At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,347,966 or 42% of total general fund expenditures as compared to \$8,270,705 and 43% respectively for the prior year.
- the City's total debt increased by \$9,840,475 (66%) during the current fiscal year. The increase resulted from reductions in debt through scheduled payments and increases in debt related to the new 2007 G.O. issuance.

### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Gallatin's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Overall, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover costs through user fees and charges (business-type activities). The governmental activities of the City of Gallatin include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities include Water and Sewer, Natural Gas, Golf course and Electric Power services.

The government - wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gallatin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, proprietary funds.

Governmental Funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government - wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near - term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near - term financing requirements

Because the focus of governmental funds is narrower than that of the government - wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government - wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

The City of Gallatin, Tennessee adopts an annual appropriated budget for its general fund. A budgetary comparison statement and related notes has been provided for the general fund to demonstrate compliance with this budget on pg 19-38.

Proprietary Funds. The City of Gallatin maintains only one type of proprietary fund. Its enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water/Sewer, Natural Gas, Electric Power and Golf Course operations.

Proprietary funds provide the same type of information as the government - wide financial statements, only in more detail. The proprietary fund financial statements provide information for Water and Sewer, Natural Gas and Electric Power operations and its Golf Course activity each of which are considered to be a major funds.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government - wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 16-18 and 41-42 of this report.

## Financial Analysis of the Financial Statements

### Government - wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Gallatin, assets exceeded liabilities by \$138,405,173 at the close of the most recent fiscal year, as compared to \$138,405,173 at the close of the previous fiscal year.

By far the largest portion of the City's net assets (73%) reflects its investment in capital assets (e.g., land , buildings, machinery, and equipment), less any related debt that is still outstanding. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Gallatin's Net Assets

|                                     | <b>Governmental Activities</b> |             | <b>Business -type Activities</b> |             |
|-------------------------------------|--------------------------------|-------------|----------------------------------|-------------|
|                                     | <b>2007</b>                    | <b>2006</b> | <b>2007</b>                      | <b>2006</b> |
| Current and other assets            | \$ 30,636,348                  | 18,231,600  | 28,109,256                       | 27,701,413  |
| Capital assets                      | 35,876,334                     | 33,933,306  | 94,544,099                       | 87,341,961  |
| Total assets                        | 66,512,682                     | 52,164,906  | 122,653,355                      | 115,043,374 |
| Long-term liabilities outstanding   | 10,885,625                     | 4,151,087   | 9,722,319                        | 9,977,458   |
| Other liabilities                   | 9,523,403                      | 8,331,168   | 6,664,079                        | 5,873,668   |
| Total liabilities                   | 20,409,028                     | 12,482,255  | 16,386,398                       | 15,851,126  |
| Net assets:                         |                                |             |                                  |             |
| Capital assets, net of related debt | 25,940,281                     | 30,858,306  | 86,922,174                       | 78,646,271  |
| Restricted                          | 276,859                        | 15,000      | 0                                | 0           |
| Unrestricted                        | 19,876,514                     | 8,809,345   | 19,344,763                       | 20,545,976  |
| Total net assets                    | \$ 46,093,654                  | 39,682,651  | 106,266,937                      | 99,192,247  |

The city's unrestricted net assets totals \$39,221,277 and may be used to meet the government's ongoing obligations to citizens and creditors as compared to \$23,711,660 in 2006.

At the end of the current fiscal year, the City is able to report positive balances in all three category of net assets, both for the government as a whole, as well as for its separate governmental and business - type activities.

The government's net assets increased by \$13,214,784 during the current fiscal year. Approximately 56% of this increase represents the net increase in net assets from the Business-Type activities (p65).

### Governmental Activities

Governmental activities increased the City's net assets by \$5,772,493 during the current fiscal year as compared to an increase of \$3,549,591 during the previous fiscal year. Key elements of this increase are summarized below:

#### **City of Gallatin's Changes in Net Assets**

|                                    | <b>Governmental Activities</b> |                   | <b>Business -type Activities</b> |                   |
|------------------------------------|--------------------------------|-------------------|----------------------------------|-------------------|
|                                    | <b>2007</b>                    | <b>2006</b>       | <b>2007</b>                      | <b>2006</b>       |
| Revenues:                          |                                |                   |                                  |                   |
| Program revenues:                  |                                |                   |                                  |                   |
| Charges for services               | \$ 4,366,414                   | 2,950,614         | 75,323,725                       | 75,920,294        |
| Operating grants and contributions | 3,502,202                      | 636,779           | 0                                | 0                 |
| Capital grants and contributions   | 138,751                        | 1,642,282         | 3,526,948                        | 7,931,282         |
| General revenues:                  |                                |                   |                                  |                   |
| Property taxes                     | 7,710,687                      | 6,354,160         | 0                                | 0                 |
| Sales taxes                        | 6,752,289                      | 6,154,339         | 0                                | 0                 |
| Other local taxes                  | 701,829                        | 589,374           | 0                                | 0                 |
| State shared taxes                 | 1,776,322                      | 2,019,700         | 0                                | 0                 |
| Other                              | 944,448                        | 1,242,232         | 1,014,853                        | 890,965           |
| Total revenues                     | <u>25,892,942</u>              | <u>21,589,480</u> | <u>79,865,526</u>                | <u>84,742,541</u> |
| Expenses:                          |                                |                   |                                  |                   |
| General government                 |                                |                   |                                  |                   |
| General Government Administration  | 4,278,740                      | 3,447,373         | 0                                | 0                 |
| Public safety:                     | 8,926,042                      | 7,710,413         | 0                                | 0                 |
| Animal control                     | 47,119                         | 42,050            | 0                                | 0                 |
| Highways and streets               | 1,841,983                      | 1,677,828         | 0                                | 0                 |
| Public works                       | 153,821                        | 156,392           | 0                                | 0                 |
| Environmental Services             | 1,677,427                      | 2,132,344         | 0                                | 0                 |
| Parks and recreation               | 2,768,383                      | 2,579,035         | 0                                | 0                 |
| Engineering                        | 703,821                        | 521,482           | 0                                | 0                 |
| Community services                 | 186,640                        | 182,296           | 0                                | 0                 |
| Vehicle maintenance                | 333,463                        | 311,944           | 0                                | 0                 |
| Interest expense on long-term debt | 90,045                         | 105,638           | 0                                | 0                 |
| Water & Sewer                      | 0                              | 0                 | 7,130,595                        | 6,444,961         |
| Natural Gas                        | 0                              | 0                 | 18,901,303                       | 42,349,573        |
| Electric Power                     | 0                              | 0                 | 44,556,792                       | 23,127,731        |
| Golf Course                        | 0                              | 0                 | 947,510                          | 911,903           |
| Total expenses                     | <u>21,007,484</u>              | <u>18,866,795</u> | <u>71,536,200</u>                | <u>72,834,168</u> |
| Increases in net assets            | 4,885,458                      | 2,722,685         | 8,329,326                        | 11,908,373        |
| Transfers                          | 887,035                        | 826,908           | -887,035                         | -826,908          |
| Net assets, beginning of year      | <u>40,321,161</u>              | <u>36,133,058</u> | <u>98,824,645</u>                | <u>88,110,781</u> |
| Net assets, end of year            | <u>\$ 46,093,654</u>           | <u>39,682,651</u> | <u>106,266,936</u>               | <u>99,192,246</u> |

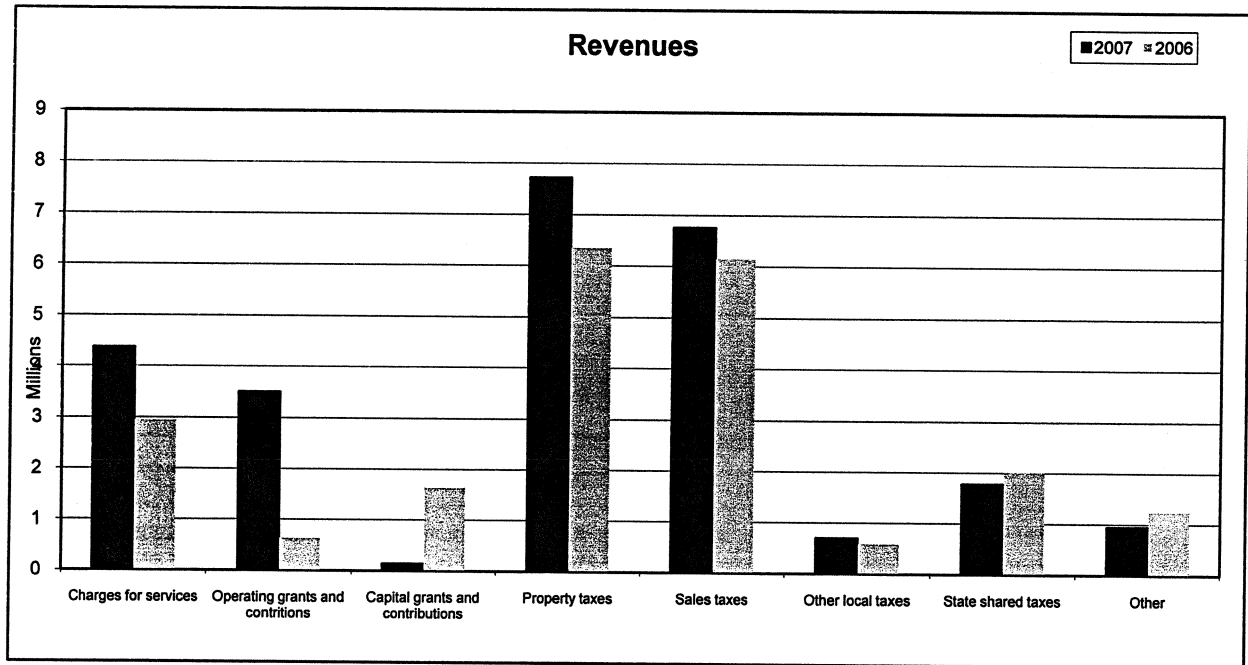
The most significant increase in actual continued revenue sources was derived from Taxes. Tax revenues are primarily a combination of two distinct resources; property tax and local option tax. Property taxes increased \$1,356,527 in 2007 as compared to \$366,182 in 2006, local option sales tax showing an increase of \$597,950 as compared to \$519,730 in 2006. The increases of both taxes is largely attributed to the continued commercial and residential property growth in the area. Additionally, the City Council voted to exceed the certified property tax rate after the reappraisal, and continued the \$1.13 rate

Other revenues with significant changes include an increase in Fines and Fees related to automated traffic cameras, and Licenses and Permits due to the adoption of an updated fee schedule. Other revenues remained relatively stable.

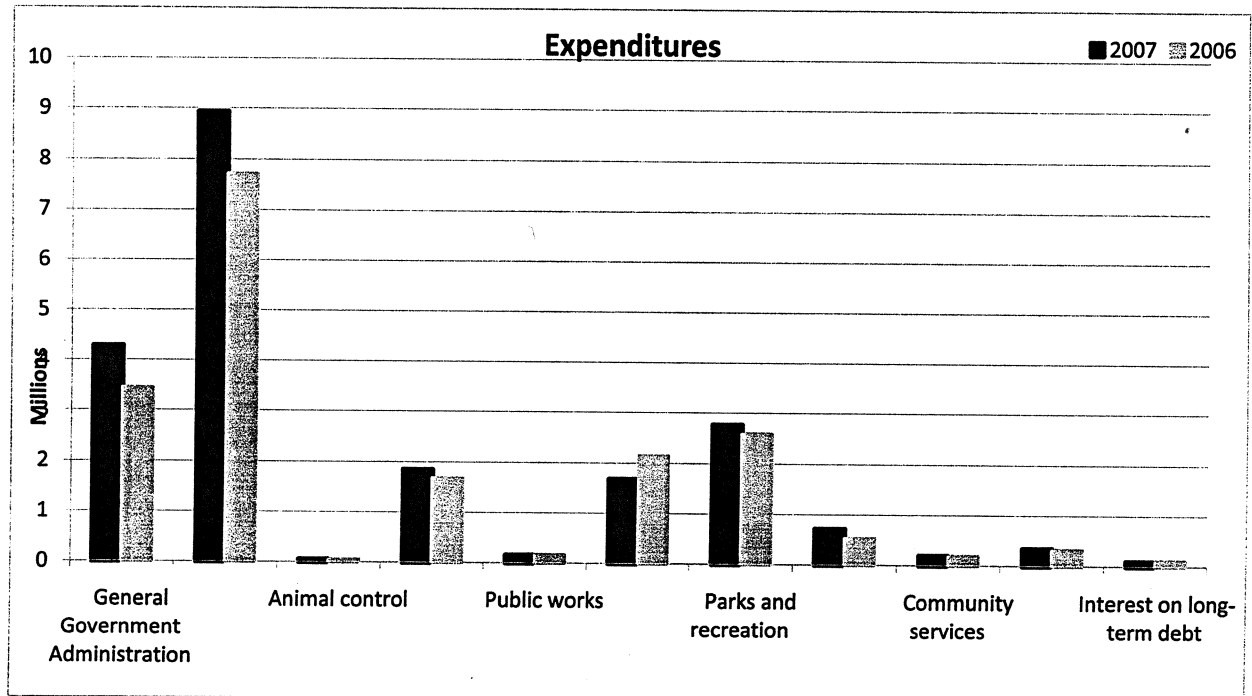
Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in local revenue systems to better accommodate future change.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The most significant increases in expenditures over those of the prior year occurred in the general government category with capital projects accounting for a significant portion of this increase.

#### Revenues by Source - Governmental Activities



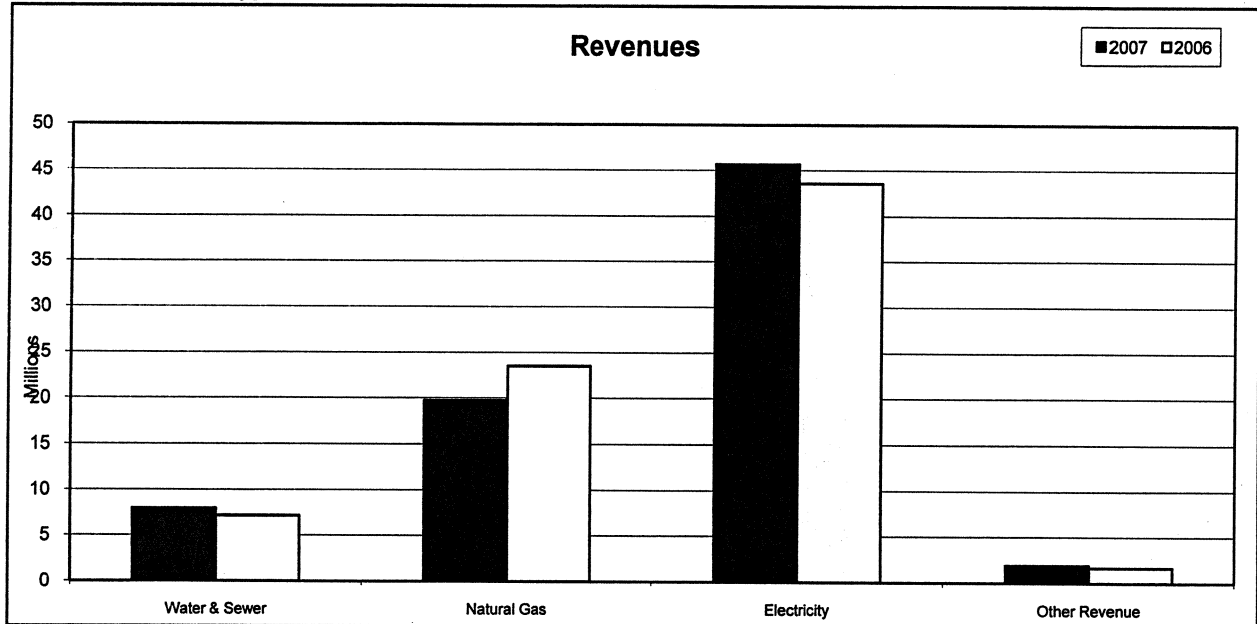
#### Expenditures - Governmental Activities



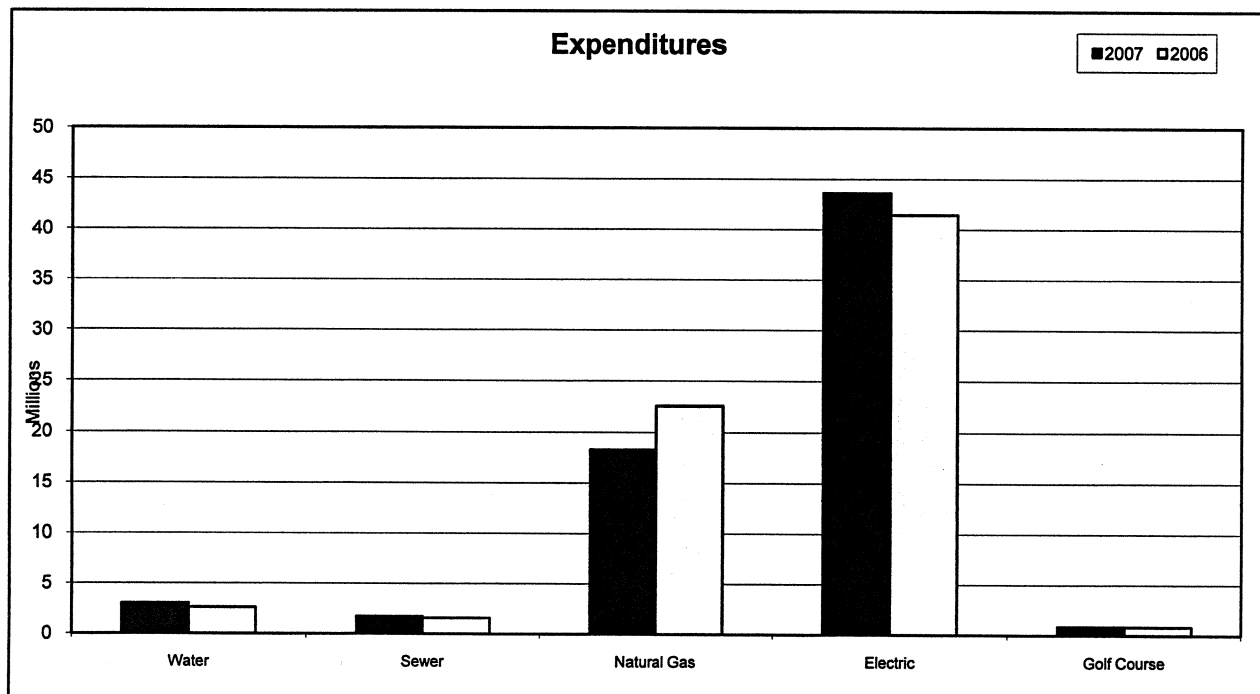
### Business - type activities

Business - type activities increased the City's net assets by \$7,442,291 accounting for 56% of the total growth in the government's net assets as compared to \$11,081,465 in 2006.

### **Revenues - Business type activities**



### **Expenditures - Business type activities**



### Governmental Funds

The focus of the City of Gallatin's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unreserved fund balance may serve as a useful measure to a government's net resources available for spending at the end of the year.

The general fund is the chief operation fund of the City of Gallatin, Tennessee. At the end of the current fiscal year, unreserved fund balance of the general fund was \$8,347,966 while total fund balance reached \$11,958,238. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42% of total general fund expenditures as compared to 9% last year.

The fund balance of the City's general fund increased by \$3,672,846 during the current fiscal year. Key factors in this increase are as follows:

- City council's decision to exceed the State certified property tax rate by \$.13 generated more revenue.
- restructuring and updating many license and permit fees generated more revenue.
- More stringent cost containment measures kept expenditures well under budget.
- A prior period adjustment increasing fund balance by \$638,511.
- Management's decision to execute certain capital projects using undesignated reserve funds, rather than issue debt.

The City's proprietary (enterprise) funds provide the same type of information found in the government - wide financial statement but in more detail.

Unrestricted net assets of the Enterprise Funds amounted to \$19,344,763 as compared to \$20,545,976 in the prior year. The change in net assets of the individual enterprise funds was as follows:

|                     |    | <b>2007</b> | <b>2006</b> |
|---------------------|----|-------------|-------------|
| Water & Sewer Fund  | \$ | 34,238      | 8,288,485   |
| Natural Gas Fund    |    | 58,167      | 4,687,404   |
| Golf Course Fund    |    | -215,719    | -808,097    |
| Electric Power Fund |    | -1,077,900  | 8,378,184   |

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were an overall increase in appropriations by \$1,772,144 and can be briefly summarized as follows:

|                           | <b>Budgeted Amounts (Operating)</b> |                   | <b>Budgeted Amounts (Capital)</b> |                  |
|---------------------------|-------------------------------------|-------------------|-----------------------------------|------------------|
|                           | <b>Original</b>                     | <b>Final</b>      | <b>Original</b>                   | <b>Final</b>     |
| General Government        | 3,743,341                           | 3,924,504         | 790,420                           | 867,096          |
| Police Department         | 4,864,294                           | 5,488,093         | 315,367                           | 315,711          |
| Fire Department           | 3,191,794                           | 3,191,794         | 423,309                           | 492,154          |
| Animal Control            | 47,854                              | 47,854            | -                                 | -                |
| Highways and Streets      | 1,403,756                           | 1,435,768         | 259,884                           | 280,592          |
| Public Works              | 140,179                             | 140,179           | 524,422                           | 524,422          |
| Parks and Recreation      | 2,252,298                           | 2,347,748         | 275,969                           | 635,969          |
| Engineering               | 349,909                             | 349,909           | 1,615,572                         | 2,459,571        |
| Community Services        | 192,500                             | 194,000           | -                                 | -                |
| Vehicle Maintenance       | 366,986                             | 366,986           | -                                 | -                |
| Debt Service              | 865,045                             | 865,045           | -                                 | -                |
| <b>Total Expenditures</b> | <b>17,417,956</b>                   | <b>18,351,880</b> | <b>4,204,943</b>                  | <b>5,575,515</b> |



## Capital Asset and Debt Administration

### Capital Assets

The City of Gallatin's investment in capital assets from its governmental and business - type activities as of June 30, 2007, amounts to \$130,420,413 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 7.5% (a 5.7% increase for governmental activities and a 8.3% increase for business - type activities).

#### City of Gallatin's Capital Assets

|                                   | Governmental<br>Activities | Business -type<br>Activities | Total              |
|-----------------------------------|----------------------------|------------------------------|--------------------|
| Land                              | \$ 3,958,316               | 1,389,950                    | 5,348,266          |
| Buildings and utility plant       | 10,561,603                 | 3,620,738                    | 14,182,341         |
| Improvements other than buildings | 3,318,232                  | 123,538,792                  | 126,857,024        |
| Equipment and furniture           | 10,875,523                 | 5,223,680                    | 16,099,203         |
| Construction in progress          | 0                          | 11,287,342                   | 11,287,342         |
| Infrastructure                    | 23,497,093                 | 0                            | 23,497,093         |
|                                   | <u>52,210,767</u>          | <u>145,060,502</u>           | <u>197,271,269</u> |
| Less accumulated depreciation     | <u>16,334,433</u>          | <u>50,516,423</u>            | <u>66,850,856</u>  |
| Net Capital Assets                | <u>\$ 35,876,334</u>       | <u>94,544,079</u>            | <u>130,420,413</u> |

Additional information on the City of Gallatin's capital assets can be found in the notes to the financial statements section of this report.

### Long - Term Debt

At the end of the current year, the City of Gallatin had bonded debt outstanding of \$18,040,000 as compared to \$11,860,000 at the end of the prior fiscal year. Of this amount, \$10,140,000 represents debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured by both the taxing power of the City and specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds.

#### City of Gallatin's Outstanding Debt

|  | Governmental<br>Activities | Business -type<br>Activities | Total             |
|--|----------------------------|------------------------------|-------------------|
| General obligation bonds<br>and capital outlay notes | \$ 10,140,000              | 0                            | 10,140,000        |
| Revenue and tax bonds                                | <u>0</u>                   | <u>7,900,000</u>             | <u>7,900,000</u>  |
| Total  | <u>\$ 10,140,000</u>       | <u>7,900,000</u>             | <u>18,040,000</u> |

The City of Gallatin and its various agencies both maintain a "A1" rating from Moodys for general obligation debt.

Additional information on the City's debt can be found in the notes to the financial statements section of this report.

## **Economic Factors and Next Year's Budget and Rates**

### **General Fund Revenue:**

- The City continues to see increases in high-end residential development as well as a significant influx of new commercial development. The impact of these growth areas is reflected in the projected increases in property taxes, local option sales taxes, licenses and permits, and certain retail-related state shared taxes.
- The completion of the I386 extension into the Gallatin city limits creates a new corridor for commercial and residential development. Management expects significant growth in this area beginning immediately.

### **General Fund Expenditures and Capital Outlay:**

- All departments were encouraged to cut costs wherever possible, while maintaining an awareness of the current and imminent growth the city is experiencing.
- Original operating expense budgets totaled \$17,217,956 as compared to \$14,752,565 for the prior fiscal year, representing an increase of 16.7% (53% of which was in Public Safety)

At the end of the current fiscal year, unreserved fund balance in the general fund was \$8,347,966. The City appropriated \$1,870,991 for spending in the 2007-2008 fiscal year budget, due to management's decision to change how it accounted for unspent prior year capital appropriations that are rolled over to the new budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Gallatin Tennessee's finances for all those with a interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Department of Finance  
City of Gallatin  
Gallatin, TN

**CITY OF GALLATIN, TENNESSEE**  
**Statement of Net Assets**  
**June 30, 2007**

|   | <b>Primary Government</b>      |                                 |                | <b>Component Unit</b>         |
|---|--------------------------------|---------------------------------|----------------|-------------------------------|
|   | <b>Governmental Activities</b> | <b>Business-type Activities</b> | <b>Total</b>   | <b>Industrial Development</b> |
| <b>ASSETS</b>   |                                |                                 |                |                               |
| <b>CURRENT ASSETS</b>                                       |                                |                                 |                |                               |
| Cash and Cash Equivalents - Unrestricted                    | \$ 16,298,321                  | \$ 17,288,796                   | \$ 33,587,117  | \$ 8,143                      |
| Receivables:  |                                |                                 |                |                               |
| Property Taxes  | 8,729,868                      | -                               | 8,729,868      | -                             |
| Intergovernmental   | 2,495,840                      | -                               | 2,495,840      | -                             |
| Customers, Net of Allowance and Other                       | 800,008                        | 5,123,767                       | 5,923,776      | -                             |
| Total Receivables   | 12,025,716                     | 5,123,767                       | 17,149,484     | -                             |
| Investments   | 999,690                        | 3,825,006                       | 4,824,696      | -                             |
| Inventory   | 25,748                         | 1,745,074                       | 1,770,822      | -                             |
| Prepays and Other Current Expenses                          | 17,450                         | 210,795                         | 228,245        | -                             |
| Internal Balances   | 1,065,475                      | (1,065,475)                     | -              | -                             |
| Total Current Assets  | 30,432,401                     | 27,127,963                      | 57,560,364     | 8,143                         |
| <b>CAPITAL ASSETS</b>                                       |                                |                                 |                |                               |
| Depreciable Capital Assets, Net of Accumulated Depreciation | 31,918,018                     | 81,866,787                      | 113,784,805    | -                             |
| Non Depreciable Capital Assets                              | 3,958,316                      | 12,677,292                      | 16,635,608     | -                             |
| Total Capital Assets  | 35,876,334                     | 94,544,079                      | 130,420,413    | -                             |
| <b>OTHER ASSETS</b>   |                                |                                 |                |                               |
| Cash and Cash Equivalents - Restricted                      | -                              | 7,237                           | 7,237          | -                             |
| Unamortized Costs   | 203,947                        | 278,095                         | 482,042        | -                             |
| Receivable - TVA Residential Energy Service Program         | -                              | 550,000                         | 550,000        | -                             |
| Deposits and Other  | -                              | 145,961                         | 145,961        | -                             |
| Total Other Assets  | 203,947                        | 981,293                         | 1,185,240      | -                             |
| Total Assets  | \$ 66,512,682                  | \$ 122,653,335                  | \$ 189,166,017 | \$ 8,143                      |
| <b>LIABILITIES AND NET ASSETS</b>                           |                                |                                 |                |                               |
| <b>LIABILITIES</b>  |                                |                                 |                |                               |
| Accounts Payable  | \$ 467,211                     | \$ 6,189,559                    | \$ 6,656,770   | \$ -                          |
| Accrued Liabilities   | 802,243                        | 333,136                         | 1,135,379      | -                             |
| Accrued Interest  | 11,541                         | 141,384                         | 152,925        | -                             |
| Deferred Revenue  | 8,252,408                      | -                               | 8,252,408      | -                             |
| Long-term Liabilities:                                      | -                              |                                 |                |                               |
| Customer Deposits   | -                              | 1,278,581                       | 1,278,581      | -                             |
| Other Liabilities   | -                              | 137,932                         | 137,932        | -                             |
| Compensated Absences  | 745,625                        | 405,806                         | 1,151,431      | -                             |
| Due Within One Year   | 410,000                        | 540,000                         | 950,000        | -                             |
| Due in More Than One Year                                   | 9,730,000                      | 7,360,000                       | 17,090,000     | -                             |
| Total Liabilities   | 20,419,028                     | 16,386,398                      | 36,805,426     | -                             |
| <b>NET ASSETS</b>   |                                |                                 |                |                               |
| Invested in Capital Assets, Net of Related Debt             | 25,940,281                     | 86,922,174                      | 112,862,455    | -                             |
| Restricted for:   |                                |                                 |                |                               |
| Special Revenue Funds - Drug Fund                           | 261,859                        | -                               | 261,859        | -                             |
| Endowment   | 15,000                         | -                               | 15,000         | -                             |
| Unrestricted  | 19,876,514                     | 19,344,763                      | 39,221,277     | 8,143                         |
| Total Net Assets  | 46,093,654                     | 106,266,936                     | 152,360,590    | 8,143                         |
| Total Liabilities and Net Assets                            | \$ 66,512,682                  | \$ 122,653,335                  | \$ 189,166,017 | \$ 8,143                      |

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE  
Statement of Activities  
For the Year Ended June 30, 2007

| Functions/Programs:<br>Primary government: | Program Revenues |                         |                             |  | Net (Expense) Revenue and Changes<br>in Net Assets |                             |                | Component<br>Unit |
|--|------------------|-------------------------|-----------------------------|--|--|-----------------------------|----------------|-------------------|
|  | Expenses         | Charges for<br>Services | Operating                   |  | Governmental<br>Activities                         | Business-type<br>Activities | Total          |                   |
|  |                  |                         | Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |                             |                |                   |
| Governmental Activities:                   |                  |                         |                             |  |  |                             |                |                   |
| General Government                         | \$ 4,048,053     | \$ 135,208              | \$ 3,234,395                | \$ 13,225                              | \$ (665,225)                                       | \$ -                        | \$ (665,225)   | \$ -              |
| Public Safety                              | 8,926,042        | 1,582,221               | 267,806                     | 125,526                                | (6,950,489)  | -                           | (6,950,489)    | -                 |
| Animal Control                             | 47,119           | -                       | -                           | -                                      | (47,119)   | -                           | (47,119)       | -                 |
| Highways, Streets and Roadways             | 1,841,983        | 79,485                  | -                           | -                                      | (1,762,497)  | -                           | (1,762,497)    | -                 |
| Public Works                               | 153,821          | 21,806                  | -                           | -                                      | (132,014)  | -                           | (132,014)      | -                 |
| Environmental Services                     | 1,677,427        | 1,027,222               | -                           | -                                      | (650,206)  | -                           | (650,206)      | -                 |
| Parks and Recreation                       | 2,768,383        | 703,203                 | -                           | -                                      | (2,065,181)  | -                           | (2,065,181)    | -                 |
| Engineering                                | 703,821          | 697,661                 | -                           | -                                      | (6,159)  | -                           | (6,159)        | -                 |
| Community Services                         | 186,640          | -                       | -                           | -                                      | (186,640)  | -                           | (186,640)      | -                 |
| Economic Development                       | 230,687          | -                       | -                           | -                                      | (230,687)  | -                           | (230,687)      | -                 |
| Vehicle Maintenance                        | 333,463          | 119,609                 | -                           | -                                      | (213,854)  | -                           | (213,854)      | -                 |
| Interest on Long-term Debt                 | 90,045           | -                       | -                           | -                                      | (90,045)   | -                           | (90,045)       | -                 |
| Total Governmental Activities              | 21,007,484       | 4,366,414               | 3,502,202                   | 138,751                                | (13,000,117)                                       | -                           | (13,000,117)   | -                 |
| Business-type Activities:                  |                  |                         |                             |  |  |                             |                |                   |
| Electric Power                             | 44,556,792       | 46,400,568              | -                           | 13,367                                 | -  | 1,857,143                   | 1,857,143      | -                 |
| Gas  | 18,901,303       | 20,082,042              | -                           | -                                      | -  | 1,180,739                   | 1,180,739      | -                 |
| Golf                                       | 947,510          | 769,574                 | -                           | -                                      | -  | (177,936)                   | (177,936)      | -                 |
| Water and Sewer                            | 7,130,595        | 8,071,541               | -                           | 3,513,581                              | -  | 4,454,527                   | 4,454,527      | -                 |
| Total Business-type Activities             | 71,536,200       | 75,323,725              | -                           | 3,526,948                              | -  | 7,314,472                   | 7,314,472      | -                 |
| Total Primary Government                   | \$ 92,543,684    | \$ 79,690,139           | \$ 3,502,202                | \$ 3,665,699                           | \$ (13,000,117)                                    | \$ 7,314,472                | \$ (5,685,645) | \$ -              |
| Component Unit:                            |                  |                         |                             |  |  |                             |                |                   |
| Industrial Development Board               | \$ 10,416        | \$ -                    | \$ 10,000                   | \$ -                                   | \$ -   | \$ -                        | \$ -           | (416)             |
| General Revenues:                          |                  |                         |                             |  |  |                             |                |                   |
| Property and Personality Taxes             |                  |                         |                             |  | \$ 7,710,687                                       | \$ -                        | \$ 7,710,687   | \$ -              |
| Payment in Lieu of Tax                     |                  |                         |                             |  | 218,147  | -                           | 218,147        | -                 |
| Income and Excise Taxes                    |                  |                         |                             |  | 440,512  | -                           | 440,512        | -                 |
| Sales Taxes                                |                  |                         |                             |  | 6,752,289  | -                           | 6,752,289      | -                 |
| Gasoline Tax                               |                  |                         |                             |  | 134,884  | -                           | 134,884        | -                 |
| Alcoholic Beverage Taxes                   |                  |                         |                             |  | 918,743  | -                           | 918,743        | -                 |
| Business Taxes                             |                  |                         |                             |  | 483,682  | -                           | 483,682        | -                 |
| Hospitality Taxes                          |                  |                         |                             |  | 276,664  | -                           | 276,664        | -                 |
| Miscellaneous State Taxes                  |                  |                         |                             |  | 5,519  | -                           | 5,519          | -                 |
| Unrestricted Investment Income             |                  |                         |                             |  | 490,238  | 1,009,368                   | 1,499,607      | 62                |
| Rental Income                              |                  |                         |                             |  | 58,855   | -                           | 58,855         | -                 |
| Sale of Capital Assets                     |                  |                         |                             |  | 15,966   | 2,181                       | 18,147         | -                 |
| Insurance Proceeds                         |                  |                         |                             |  | 26,597   | 3,304                       | 29,901         | -                 |
| Miscellaneous                              |                  |                         |                             |  | 352,792  | -                           | 352,792        | -                 |
| Transfers, Net                             |                  |                         |                             |  | 887,035  | (887,035)                   | -              | -                 |
| Total General Revenues and Transfers       |                  |                         |                             |  | 18,772,610   | 127,818                     | 18,900,428     | 62                |
| Change in Net Assets                       |                  |                         |                             |  | 5,772,492  | 7,442,290                   | 13,214,784     | (353)             |
| Net Assets - July 1, 2006                  |                  |                         |                             |  | 39,682,651   | 99,192,247                  | 138,874,898    | 8,496             |
| Prior Period Adjustment                    |                  |                         |                             |  | 638,511  | (367,601)                   | 270,910        | -                 |
| Net Assets - June 30, 2007                 |                  |                         |                             |  | \$ 46,093,654                                      | \$ 106,266,936              | \$ 152,360,590 | \$ 8,143          |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

|  | <b>General<br/>Fund</b> | <b>Environmental<br/>Services<br/>Fund</b> | <b>Capital<br/>Projects 2007<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|--|---|---|---|
| <b>Assets</b>                              |                         |  |   |   |   |
| Cash and Cash Equivalents                  | \$ 7,805,454            | \$ 12,046                                  | \$ 7,664,365                              | \$ 816,456                              | \$ 16,298,321                           |
| Receivables, Net:                          |                         |  |   |   |   |
| Property Taxes                             | 8,729,868               | -  | -   | -                                       | 8,729,868                               |
| Intergovernmental                          | 2,079,160               | -  | -   | -                                       | 2,079,160                               |
| Other                                      | 193                     | 386,735                                    | -   | 413,080                                 | 800,008                                 |
| Due From Other Funds                       | 1,570,000               | -  | -   | -                                       | 1,570,000                               |
| Investments                                | 999,690                 | -  | -   | -                                       | 999,690                                 |
| Inventory                                  | 15,874                  | 9,875                                      | -   | -                                       | 25,748                                  |
| Prepays and Other Current Expenses         | 450                     | -  | 17,000                                    | 0                                       | 17,450                                  |
| <b>Total Assets</b>                        | <b>\$ 21,200,689</b>    | <b>\$ 408,656</b>                          | <b>\$ 7,681,365</b>                       | <b>\$ 1,229,536</b>                     | <b>\$ 30,520,246</b>                    |
| <b>Liabilities and Fund Balances</b>       |                         |  |   |   |   |
| <b>Liabilities</b>                         |                         |  |   |   |   |
| Accounts Payable                           | \$ 356,038              | \$ 40,053                                  | \$ -                                      | \$ 71,120                               | 467,211                                 |
| Accrued Liabilities                        | 449,481                 | 26,081                                     | 158,970                                   | 183,700                                 | 818,231                                 |
| Due To Other Funds                         | 184,525                 | 320,000                                    | -   | -                                       | 504,525                                 |
| Deferred Revenue                           | 8,252,408               | -  | -   | -                                       | 8,252,408                               |
| <b>Total Liabilities</b>                   | <b>9,242,452</b>        | <b>386,134</b>                             | <b>158,970</b>                            | <b>254,820</b>                          | <b>10,042,375</b>                       |
| <b>Fund Balances:</b>                      |                         |  |   |   |   |
| Reserved For:                              |                         |  |   |   |   |
| Inventory                                  | 15,874                  | 9,875                                      | -   | -                                       | 25,748                                  |
| Special Revenue Funds - Drug Fund          | -                       | -  | -   | 261,859                                 | 261,859                                 |
| Endowments                                 | -                       | -  | -   | 15,000                                  | 15,000                                  |
| Unreserved Reported in Non-Major:          |                         |  |   |   |   |
| Special Revenue Funds                      | -                       | -  | -   | -                                       | -                                       |
| Capital Projects Funds                     | -                       | -  | 7,522,395                                 | 388,436                                 | 7,910,831                               |
| Permanent Funds                            | -                       | -  | -   | 309,421                                 | 309,421                                 |
| Unreserved: Designated For:                |                         |  |   |   |   |
| Capital Projects                           | -                       | -  | -   | -                                       | -                                       |
| Other Designated                           | 3,594,398               | -  | -   | -                                       | 3,594,398                               |
| Unreserved                                 | 8,347,966               | 12,647                                     | -   | -                                       | 8,360,613                               |
| <b>Total Fund Balances</b>                 | <b>11,958,238</b>       | <b>22,522</b>                              | <b>7,522,395</b>                          | <b>974,716</b>                          | <b>20,477,871</b>                       |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 21,200,689</b>    | <b>\$ 408,656</b>                          | <b>\$ 7,681,365</b>                       | <b>\$ 1,229,536</b>                     | <b>\$ 30,520,246</b>                    |

**CITY OF GALLATIN, TENNESSEE**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets of Governmental Activities**  
**June 30, 2007**

|  |                      |
|--|----------------------|
| Total Governmental Fund Balances   | \$ 20,477,871        |
| Amounts reported for Governmental Activities in the Statement of Net Assets are different because:                                     |                      |
| Some assets, including accounts receivable are not available in the current period and therefore are not reported in the funds.        | 416,680              |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                | 35,876,334           |
| Other long-term assets (bond costs) are not available to pay for current-period expenditures and, therefore are deferred in the funds. | 203,947              |
| Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.   | (10,881,178)         |
| <b>Net Assets of the Governmental Activities</b>   | <b>\$ 46,093,654</b> |

**CITY OF GALLATIN, TENNESSEE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

|  | <b>General</b>       | <b>Environmental<br/>Services<br/>Fund</b> | <b>Capital<br/>Projects 2007<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|--|---|---|---|
| <b>Revenues</b>  |                      |  |   |   |   |
| Taxes  | \$ 14,335,011        | \$ -                                       | \$ -                                      | \$ -                                    | \$ 14,335,011                           |
| Licenses and Permits   | 696,601              | -  | -   | -                                       | 696,601                                 |
| Fines and Forfeitures  | 1,336,397            | -  | -   | 230,736                                 | 1,567,133                               |
| Charges for Services   | 1,075,458            | 1,027,222                                  | -   | -                                       | 2,102,680                               |
| Intergovernmental  | 3,691,619            | -  | -   | -                                       | 3,691,619                               |
| Investment Income  | 348,090              | -  | 121,381                                   | 20,767                                  | 490,238                                 |
| Rental/Property Income                                       | 58,855               | -  | -   | -                                       | 58,855                                  |
| Miscellaneous Revenues                                       | 492                  | 351,023                                    | -   | 1,277                                   | 352,792                                 |
| <b>Total Revenues</b>  | <b>21,542,523</b>    | <b>1,378,245</b>                           | <b>121,381</b>                            | <b>252,780</b>                          | <b>23,294,929</b>                       |
| <b>Expenditures</b>  |                      |  |   |   |   |
| Current:   |                      |  |   |   |   |
| General Government   | 3,772,613            | -  | -   | -                                       | 3,772,613                               |
| Public Safety  | 8,259,007            | -  | -   | -                                       | 8,259,007                               |
| Animal Control   | 47,119               | -  | -   | -                                       | 47,119                                  |
| Highways, Streets and Roadways                               | 1,359,228            | -  | -   | -                                       | 1,359,228                               |
| Public Works   | 139,527              | -  | -   | -                                       | 139,527                                 |
| Environmental Services                                       | -                    | 1,597,138                                  | -   | -                                       | 1,597,138                               |
| Parks and Recreation   | 2,333,959            | -  | -   | -                                       | 2,333,959                               |
| Engineering  | 666,725              | -  | -   | -                                       | 666,725                                 |
| Community Services   | 186,640              | -  | -   | -                                       | 186,640                                 |
| Economic Development   | 224,440              | -  | -   | -                                       | 224,440                                 |
| Vehicle Maintenance  | 329,108              | -  | -   | -                                       | 329,108                                 |
| Other Program Costs  | -                    | -  | 98,986                                    | 144,728                                 | 243,714                                 |
| Debt Service:  |                      |  |   |   |   |
| Principal  | 775,000              | -  | -   | -                                       | 775,000                                 |
| Interest   | 90,045               | -  | -   | -                                       | 90,045                                  |
| Capital Outlay   | 1,569,163            | -  | -   | 25,000                                  | 1,594,163                               |
| <b>Total Expenditures</b>                                    | <b>19,752,573</b>    | <b>1,597,138</b>                           | <b>98,986</b>                             | <b>169,728</b>                          | <b>21,618,425</b>                       |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | 1,789,950            | (218,894)                                  | 22,395                                    | 83,052                                  | 1,676,504                               |
| <b>Other Financing Sources (Uses)</b>                        |                      |  |   |   |   |
| Contributions  | 466,113              | -  | -   | -                                       | 466,113                                 |
| Insurance Proceeds   | 26,597               | -  | -   | -                                       | 26,597                                  |
| Operating Transfers In (Out)                                 | 735,710              | 218,890                                    | -   | (67,565)                                | 887,035                                 |
| Bonds Issued   | -                    | -  | 7,500,000                                 | -                                       | 7,500,000                               |
| Sales of Capital Assets                                      | 15,966               | -  | -   | -                                       | 15,966                                  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>1,244,385</b>     | <b>218,890</b>                             | <b>7,500,000</b>                          | <b>(67,565)</b>                         | <b>8,895,710</b>                        |
| <b>Net Change in Fund Balances</b>                           | <b>3,034,335</b>     | <b>(3)</b>                                 | <b>7,522,395</b>                          | <b>15,487</b>                           | <b>10,572,214</b>                       |
| <b>Fund Balance - July 1, 2006</b>                           | <b>8,285,392</b>     | <b>22,526</b>                              | <b>-</b>                                  | <b>959,228</b>                          | <b>9,267,146</b>                        |
| <b>Prior Period Adjustment</b>                               | <b>638,511</b>       | <b>-</b>                                   | <b>-</b>                                  | <b>-</b>                                | <b>638,511</b>                          |
| <b>Fund Balances - June 30, 2007</b>                         | <b>\$ 11,958,238</b> | <b>\$ 22,522</b>                           | <b>\$ 7,522,395</b>                       | <b>\$ 974,716</b>                       | <b>\$ 20,477,871</b>                    |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds \$ 10,572,214

Amounts reported for governmental activities in the statement of activities are different from the amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (199,355)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 2,089,338

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (6,725,000)

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. 35,295

Change in net assets of governmental activities \$ 5,772,492

CITY OF GALLATIN, TENNESSEE  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

|   | Business-type Activities - Enterprise Funds |                      |                     |                      |                         |
|---|---|----------------------|---------------------|----------------------|-------------------------|
|   | Electric Fund                               | Gas Fund             | Golf Course         | Water & Sewer Fund   | Total Proprietary Funds |
| <b>Assets</b>                                       |   |                      |                     |                      |                         |
| <b>Current Assets</b>                               |   |                      |                     |                      |                         |
| Cash and Cash Equivalents - Unrestricted            | \$ 5,827,591                                | \$ 4,272,699         | \$ 36,152           | \$ 7,152,353         | \$ 17,288,796           |
| Receivables, net                                    | 3,018,642                                   | 1,259,012            | -                   | 846,114              | 5,123,767               |
| Due From Other Funds                                | -   | -                    | 184,525             | -                    | 184,525                 |
| Inventory   | 807,072                                     | 658,214              | 36,837              | 242,952              | 1,745,074               |
| Prepaid and Other Current Expenses                  | 210,795                                     | -                    | -                   | -                    | 210,795                 |
| <b>Total Current Assets</b>                         | <b>9,864,100</b>                            | <b>6,189,925</b>     | <b>257,514</b>      | <b>8,241,418</b>     | <b>24,552,957</b>       |
| <b>Capital Assets</b>                               |   |                      |                     |                      |                         |
| Non-depreciable Capital Assets:                     |   |                      |                     |                      |                         |
| Land, Right of Ways, Usages                         | 282,534                                     | 68,403               | 734,034             | 304,979              | 1,389,950               |
| Construction in Progress                            | 1,588,383                                   | 1,898,180            | -                   | 7,800,780            | 11,287,342              |
| Depreciable Capital Assets:                         |   |                      |                     |                      |                         |
| Plant and Equipment                                 | 27,236,588                                  | 23,087,920           | 1,782,865           | 80,275,837           | 132,383,210             |
| Less Accumulated Depreciation                       | (11,385,582)                                | (8,433,831)          | (1,409,949)         | (29,287,081)         | (50,516,423)            |
| <b>Total Capital Assets</b>                         | <b>17,721,923</b>                           | <b>16,620,671</b>    | <b>1,106,951</b>    | <b>59,094,534</b>    | <b>94,544,079</b>       |
| <b>Other Assets</b>                                 |   |                      |                     |                      |                         |
| Cash and Cash Equivalents - Restricted              | 7,237                                       | -                    | -                   | -                    | 7,237                   |
| Investments   | 2,827,506                                   | -                    | -                   | 997,500              | 3,825,006               |
| Unamortized Costs                                   | -   | -                    | -                   | 278,095              | 278,095                 |
| Receivable - TVA Residential Energy Service Program | 550,000                                     | -                    | -                   | -                    | 550,000                 |
| Deposits and Other                                  | 144,461                                     | -                    | 1,500               | -                    | 145,961                 |
| <b>Total Other Assets</b>                           | <b>3,529,204</b>                            | <b>-</b>             | <b>1,500</b>        | <b>1,275,595</b>     | <b>4,806,299</b>        |
| <b>Total Assets</b>                                 | <b>\$ 31,115,227</b>                        | <b>\$ 22,810,596</b> | <b>\$ 1,365,965</b> | <b>\$ 68,611,547</b> | <b>\$ 123,903,335</b>   |
| <b>Liabilities and Fund Equity</b>                  |   |                      |                     |                      |                         |
| <b>Liabilities</b>                                  |   |                      |                     |                      |                         |
| Accounts Payable                                    | \$ 4,355,315                                | \$ 1,299,369         | \$ -                | \$ 534,876           | \$ 6,189,559            |
| Accrued Liabilities                                 | 257,802                                     | 15,684               | 15,230              | 44,421               | 333,136                 |
| Accrued Interest                                    | 13,981                                      | -                    | -                   | 127,403              | 141,384                 |
| Deferred Revenue                                    | -   | -                    | -                   | -                    | -                       |
| Current Portion of Notes and Bonds Payable          | -   | -                    | -                   | 540,000              | 540,000                 |
| Due to Other Funds                                  | -   | -                    | 1,250,000           | -                    | 1,250,000               |
| <b>Total Current Liabilities</b>                    | <b>4,627,098</b>                            | <b>1,315,052</b>     | <b>1,265,230</b>    | <b>1,246,700</b>     | <b>8,454,080</b>        |
| Customer deposits and Other Liabilities             | 1,215,387                                   | 30,811               | -                   | 32,382               | 1,278,581               |
| Advances - TVA Residential Energy Services Program  | 137,932                                     | -                    | -                   | -                    | 137,932                 |
| Compensated Absences                                | 112,603                                     | 98,489               | 17,600              | 177,113              | 405,806                 |
| Notes and Bonds Payable                             | -   | -                    | -                   | 7,360,000            | 7,360,000               |
| <b>Total Long-Term Liabilities</b>                  | <b>1,465,922</b>                            | <b>129,301</b>       | <b>17,600</b>       | <b>7,569,495</b>     | <b>9,182,318</b>        |
| <b>Total Liabilities</b>                            | <b>6,093,020</b>                            | <b>1,444,353</b>     | <b>1,282,830</b>    | <b>8,816,195</b>     | <b>17,636,398</b>       |
| <b>Net Assets</b>                                   |   |                      |                     |                      |                         |
| Unrestricted  | 7,300,284                                   | 4,745,571            | (1,023,816)         | 8,322,723            | 19,344,763              |
| Invested in Capital Assets, Net of Related Debt     | 17,721,923                                  | 16,620,671           | 1,106,951           | 51,472,629           | 86,922,174              |
| <b>Total Net Assets</b>                             | <b>25,022,207</b>                           | <b>21,366,243</b>    | <b>83,135</b>       | <b>59,795,352</b>    | <b>106,266,936</b>      |
| <b>Total Liabilities and Net Assets</b>             | <b>\$ 31,115,227</b>                        | <b>\$ 22,810,596</b> | <b>\$ 1,365,965</b> | <b>\$ 68,611,547</b> | <b>\$ 123,903,335</b>   |

See auditors' report and notes to the financial statements.



**CITY OF GALLATIN, TENNESSEE**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

|   | Business-type Activities - Enterprise Funds |                      |                  |                      |                   | Total                 |
|---|---|----------------------|------------------|----------------------|-------------------|-----------------------|
|   | Electric Fund                               | Gas Fund             | Golf Course      | Water & Sewer Fund   | Proprietary Funds |                       |
| <b>Operating Revenues</b>                               |   |                      |                  |                      |                   |                       |
| Charges for Services                                    | \$ 45,676,718                               | \$ 19,743,688        | \$ 604,434       | \$ 7,961,528         | \$                | 73,986,368            |
| Late Payment Charges/Forfeited Discounts                | 185,237                                     | 114,920              | 20               | 102,879              |                   | 403,056               |
| Other Revenues from Operations                          | 538,613                                     | 223,434              | 165,120          | 7,134                |                   | 934,302               |
| <b>Total Operating Revenues</b>                         | <u>46,400,568</u>                           | <u>20,082,042</u>    | <u>769,574</u>   | <u>8,071,541</u>     |                   | <u>75,323,725</u>     |
| <b>Operating Expenses</b>                               |   |                      |                  |                      |                   |                       |
| Water Plant   | -   | -                    | -                | 881,870              |                   | 881,870               |
| Transmission and Distribution                           | 41,742,985                                  | 17,736,859           | -                | 1,074,807            |                   | 60,554,651            |
| Customer Service and Collection                         | 600,509                                     | 207,068              | -                | 514,546              |                   | 1,322,123             |
| General Administration                                  | 752,155                                     | 358,870              | 36,636           | 546,356              |                   | 1,694,017             |
| Golf Course Operating Expenses                          | -   | -                    | 835,180          | -                    |                   | 835,180               |
| Sewer Collection  | -   | -                    | -                | 659,640              |                   | 659,640               |
| Sewer System Rehab                                      | -   | -                    | -                | 250,881              |                   | 250,881               |
| Sewer Treatment and Disposal                            | -   | -                    | -                | 831,080              |                   | 831,080               |
| Sewer Pretreatment                                      | -   | -                    | -                | 14,885               |                   | 14,885                |
| Maintenance   | 543,696                                     | -                    | -                | -                    |                   | 543,696               |
| Depreciation and Amortization                           | 917,447                                     | 598,507              | 75,694           | 2,082,089            |                   | 3,673,737             |
| <b>Total Operating Expenses</b>                         | <u>44,556,792</u>                           | <u>18,901,303</u>    | <u>947,510</u>   | <u>6,856,154</u>     |                   | <u>71,261,759</u>     |
| <b>Income from Operations</b>                           | <u>1,843,776</u>                            | <u>1,180,739</u>     | <u>(177,936)</u> | <u>1,215,387</u>     |                   | <u>4,061,965</u>      |
| <b>Non-operating Revenues (Expenses)</b>                |   |                      |                  |                      |                   |                       |
| Investment Income                                       | 461,764                                     | 110,059              | 984              | 436,561              |                   | 1,009,368             |
| Insurance Proceeds                                      | -   | -                    | 1,004            | 2,300                |                   | 3,304                 |
| Gain on Sale  | -   | -                    | -                | 2,181                |                   | 2,181                 |
| Interest Expense  | -   | -                    | -                | (274,441)            |                   | (274,441)             |
| <b>Total Non-operating Revenues (Expenses)</b>          | <u>461,764</u>                              | <u>110,059</u>       | <u>1,989</u>     | <u>166,600</u>       |                   | <u>740,412</u>        |
| <b>Income (Loss) Before Contributions and Transfers</b> | <u>2,305,540</u>                            | <u>1,290,798</u>     | <u>(175,947)</u> | <u>1,381,987</u>     |                   | <u>4,802,378</u>      |
| <b>Contributions and Transfers In (Out):</b>            |   |                      |                  |                      |                   |                       |
| Tap Fees  | -   | -                    | -                | 653,387              |                   | 653,387               |
| Contributions of Utility Plant                          | 13,367                                      | -                    | -                | 2,860,194            |                   | 2,873,561             |
| Transfer to General Fund/Payment in Lieu of Tax         | (479,604)                                   | (196,344)            | -                | (211,087)            |                   | (887,035)             |
| <b>Change in Net Assets</b>                             | <u>1,839,303</u>                            | <u>1,094,454</u>     | <u>(175,947)</u> | <u>4,684,481</u>     |                   | <u>7,442,290</u>      |
| <b>Net Assets - July 1, 2006</b>                        | <u>23,646,376</u>                           | <u>20,271,789</u>    | <u>259,082</u>   | <u>55,015,000</u>    |                   | <u>99,192,247</u>     |
| <b>Prior Period Adjustment</b>                          | <u>(463,472)</u>                            | <u>-</u>             | <u>-</u>         | <u>95,871</u>        |                   | <u>(367,601)</u>      |
| <b>Net Assets - June 30, 2007</b>                       | <u>\$ 25,022,207</u>                        | <u>\$ 21,366,243</u> | <u>\$ 83,135</u> | <u>\$ 59,795,352</u> |                   | <u>\$ 106,266,936</u> |

CITY OF GALLATIN, TENNESSEE  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2007

|   | Business-type Activities - Enterprise Funds |              |              |                    |                         |
|---|---|--------------|--------------|--------------------|-------------------------|
|   | Electric Fund                               | Gas Fund     | Golf Course  | Water & Sewer Fund | Total Proprietary Funds |
| <b>Cash Flows from Operating Activities:</b>  |   |              |              |                    |                         |
| Cash Received from Customers  | \$ 46,748,783                               | \$19,708,423 | \$ 769,574   | \$ 7,597,953       | \$74,824,733            |
| Cash Payments to Suppliers for Goods and Services                                       | (41,340,057)                                | (15,914,807) | (92,759)     | (2,242,645)        | (59,590,268)            |
| Cash Payments to Employees for Services   | (1,841,798)                                 | (886,170)    | (533,406)    | (2,399,688)        | (5,661,063)             |
| Net Cash Provided (Used) by Operating Activities  | 3,566,928                                   | 2,907,445    | 143,409      | 2,955,620          | 9,573,403               |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                        |   |              |              |                    |                         |
| Cash Received from Customers  | -   | -            | -            | 653,387            | 653,387                 |
| Principal Paid on Bonds/Notes   | -   | -            | -            | (545,000)          | (545,000)               |
| Interest Paid on Long-Term Debt   | 6,880                                       | -            | -            | (280,283)          | (273,403)               |
| Acquisition and Construction of Capital Assets  | (3,583,960)                                 | (1,634,794)  | (115,466)    | (5,976,223)        | (11,310,443)            |
| Proceeds from Sale of Capital Assets  | -   | -            | -            | 2,182              | 2,182                   |
| Bond Costs  | -   | -            | -            | (3,308)            | (3,308)                 |
| Insurance Proceeds  | -   | -            | 1,004        | 2,300              | 3,304                   |
| Net Cash Used by Capital and Related Financing Activities                               | (3,577,080)                                 | (1,634,794)  | (114,462)    | (6,146,945)        | (11,473,281)            |
| <b>Cash Flows from Non-Capital Financing Activities</b>                                 |   |              |              |                    |                         |
| Customer and Developer Contributions  | 13,367                                      | -            | -            | 2,860,194          | 2,873,561               |
| Transfers to Other Funds  | (479,604)                                   | (196,344)    | -            | (211,087)          | (887,035)               |
| Advances - TVA Residential Energy Services Program                                      | 61,777                                      | -            | -            | -                  | 61,777                  |
| Net Cash Provided (Used) by Non-Capital Financing Activities                            | (404,460)                                   | (196,344)    | -            | 2,649,106          | 2,048,303               |
| <b>Cash Flows from Investing Activities:</b>  |   |              |              |                    |                         |
| Purchase of Investments   | -   | -            | -            | (310)              | (310)                   |
| Proceeds from Sale of Investments   | 246,642                                     | -            | -            | -                  | 246,642                 |
| Receivables - TVA Residential Energy Service Program                                    | 100,000                                     | -            | -            | -                  | 100,000                 |
| Interest Received   | 469,015                                     | 110,059      | 984          | 436,561            | 1,016,619               |
| Net Cash Provided by Investing Activities   | 815,657                                     | 110,059      | 984          | 436,251            | 1,362,951               |
| <b>Net Increase in Cash and Restricted Cash</b>   | 401,045                                     | 1,166,367    | 29,932       | (105,968)          | 1,511,376               |
| <b>Cash and Restricted Cash at Beginning of Year</b>                                    | 5,433,783                                   | 3,086,332    | 6,220        | 7,258,321          | 15,784,657              |
| <b>Cash and Restricted Cash at End of Year</b>  | \$ 5,834,828                                | \$ 4,272,699 | \$ 36,152    | \$ 7,152,353       | \$17,296,032            |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b> |   |              |              |                    |                         |
| Operating Income  | \$ 1,843,776                                | \$ 1,180,739 | \$ (177,936) | \$ 1,215,387       | \$ 4,061,965            |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: |   |              |              |                    |                         |
| Prior Period Adjustment   | -   | -            | -            | 95,871             | 95,871                  |
| Depreciation and Amortization   | 917,447                                     | 598,507      | 75,694       | 2,082,089          | 3,673,737               |
| Changes in Assets and Liabilities:  |   |              |              |                    |                         |
| (Increase) Decrease in Receivable, Net  | 348,215                                     | (373,619)    | -            | (473,587)          | (498,992)               |
| (Increase) Decrease in Due from Other Funds   | -   | 12,377       | (36,000)     | 79,388             | 55,765                  |
| (Increase) Decrease in Inventory  | (124,365)                                   | 1,140,454    | (8,304)      | (69,154)           | 938,631                 |
| (Increase) Decrease in Prepaid and Other Current Expenses                               | (12,649)                                    | -            | -            | -                  | (12,649)                |
| (Increase) Decrease in Other Assets   | (46,996)                                    | -            | -            | -                  | (46,996)                |
| Increase (Decrease) in Accounts Payable and Liabilities                                 | 682,728                                     | 335,893      | (1,115)      | 51,256             | 1,068,761               |
| Increase (Decrease) in Compensated Absences   | (41,228)                                    | 13,095       | 2,457        | (25,629)           | (51,305)                |
| Increase (Decrease) in Due to Other Funds   | -   | -            | 288,613      | -                  | 288,613                 |
| Net Cash Provided by Operating Activities   | \$ 3,566,928                                | \$ 2,907,445 | \$ 143,409   | \$ 2,955,620       | \$ 9,573,403            |
| <b>Noncash Capital Financing Activities</b>   |   |              |              |                    |                         |
| Contribution of Capital Assets  | \$ 13,367                                   | \$ -         | \$ -         | \$ 2,860,194       | \$ 2,873,561            |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

|                                    | <b>Budgeted Amounts</b> |                      | <b>Actual</b>        | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|------------------------------------|-------------------------|----------------------|----------------------|--|
|                                    | <b>Original</b>         | <b>Final</b>         |                      |  |
| <b>Revenues</b>                    |                         |                      |                      |  |
| Taxes:                             |                         |                      |                      |  |
| Real and Personal Property Tax     | \$ 6,710,000            | \$ 7,525,767         | \$ 7,620,697         | \$ 94,930  |
| Penalty and Interest               | 60,000                  | 60,000               | 89,989               | 29,989   |
| Local Option Sales Tax             | 4,600,000               | 4,600,000            | 5,028,374            | 428,374  |
| Beer Tax                           | 600,000                 | 600,000              | 638,978              | 38,978   |
| Alcohol Privilege Tax              | 19,500                  | 19,500               | 17,058               | (2,442)  |
| Wholesale Liquor Tax               | 140,000                 | 140,000              | 159,895              | 19,895   |
| Business Tax                       | 450,000                 | 450,000              | 483,682              | 33,682   |
| Cable TV Franchise Tax             | 240,000                 | 240,000              | 276,664              | 36,664   |
| Payment in Lieu of Tax             | 33,000                  | 33,000               | 19,674               | (13,326)   |
| Total Taxes                        | 12,852,500              | 13,668,267           | 14,335,011           | 666,744  |
| Licenses and Permits               | 502,000                 | 502,000              | 696,601              | 194,601  |
| Fines and Forfeitures              | 866,100                 | 1,262,118            | 1,336,397            | 74,279   |
| Charges for Services:              |                         |                      |                      |  |
| Civic Center Revenues              | 406,000                 | 406,000              | 457,318              | 51,318   |
| Administrative Services            | 134,000                 | 134,000              | 134,303              | 303  |
| Swimming Pool Concessions and Fees | 24,500                  | 24,500               | 41,901               | 17,401   |
| Recreational Program Fees          | 82,500                  | 82,500               | 106,007              | 23,507   |
| Vehicle Repair Charges             | 106,000                 | 106,000              | 119,609              | 13,609   |
| Public Safety Services             | 9,500                   | 13,591               | 13,607               | 16   |
| Engineering Services               | 45,000                  | 45,000               | 95,496               | 50,496   |
| Street Department Services         | 75,000                  | 81,512               | 79,485               | (2,027)  |
| Other                              | 16,900                  | 16,900               | 27,732               | 10,832   |
| Total Charges for Services         | 899,400                 | 910,003              | 1,075,458            | 165,456  |
| Intergovernmental:                 |                         |                      |                      |  |
| TVA Replacement Tax Allocation     | 175,000                 | 175,000              | 198,473              | 23,473   |
| Grants                             | -                       | 1,072,580            | 441,772              | (630,808)  |
| Streets and Transportation         | 55,000                  | 55,000               | 52,753               | (2,247)  |
| Sales Tax                          | 1,600,000               | 1,600,000            | 1,723,915            | 123,915  |
| State Beer Tax                     | 13,000                  | 13,000               | 12,839               | (161)  |
| State Income Tax                   | 120,000                 | 120,000              | 387,961              | 267,961  |
| State Excise Tax                   | 50,000                  | 50,000               | 52,551               | 2,551  |
| State Alcoholic Beverage Tax       | 80,000                  | 80,000               | 89,974               | 9,974  |
| State Gasoline Tax                 | 550,000                 | 550,000              | 541,628              | (8,372)  |
| State Supplement-Police and Fire   | -                       | -                    | 50,936               | 50,936   |
| Gas and Motor Fuel Tax             | 140,000                 | 140,000              | 134,884              | (5,116)  |
| State Telecommunications Tax       | 4,500                   | 4,500                | 3,932                | (568)  |
| Total Intergovernmental            | 2,787,500               | 3,860,080            | 3,691,619            | (168,461)  |
| Investment Income                  | 175,000                 | 175,000              | 348,090              | 173,090  |
| Rental Income                      | 70,700                  | 70,700               | 58,855               | (11,845)   |
| Miscellaneous Revenues             | 5,000                   | 25,951               | 492                  | (25,459)   |
| <b>Total Revenues</b>              | <b>\$ 18,158,200</b>    | <b>\$ 20,474,119</b> | <b>\$ 21,542,523</b> | <b>\$ 1,068,404</b>  |
| <b>Expenditures</b>                |                         |                      |                      |  |
| <b>General Government:</b>         |                         |                      |                      |  |
| City Administration:               |                         |                      |                      |  |
| Current:                           |                         |                      |                      |  |
| Salaries                           | \$ -                    | \$ -                 | \$ 3,826             | \$ (3,826)   |
| Services                           | 69,208                  | 69,208               | 110,764              | (41,556)   |
| Payments in Lieu of Tax            | 85,000                  | 85,000               | 95,921               | (10,921)   |
| Inmate Lease Expense               | 35,000                  | 35,000               | 2,861                | 32,139   |
| Tornado Expenses                   | -                       | -                    | (553)                | 553  |
| Other Operating Expenses           | 56,095                  | 66,095               | 61,881               | 4,214  |
| Total Current                      | 245,303                 | 255,303              | 274,701              | (19,398)   |
| Capital Outlay                     | 125,094                 | 286,770              | 247,908              | 38,862   |
| Total City Administration          | 370,397                 | 542,073              | 522,609              | 19,464   |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2007**

|  | <b>Budgeted Amounts</b> |              |               | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|--|-------------------------|--------------|---------------|--|
|  | <b>Original</b>         | <b>Final</b> | <b>Actual</b> | <b>Final</b>   |
| <b>General Government Expenditures, Continued:</b> |                         |              |               |  |
| Mayor's Office:                                    |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 158,200                 | 187,763      | 191,428       | (3,665)  |
| Supplies   | 2,000                   | 2,000        | 2,151         | (151)  |
| Utilities  | 1,600                   | 1,600        | 1,558         | 42   |
| Other Operating Expenses                           | 7,360                   | 7,360        | 3,468         | 3,892  |
| Total Current                                      | 169,160                 | 198,723      | 198,606       | 117  |
| Capital Outlay                                     | 2,000                   | 2,000        | 1,777         | 224  |
| Total Mayor's Office                               | 171,160                 | 200,723      | 200,382       | 340  |
| City Planner:                                      |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 404,824                 | 404,824      | 317,990       | 86,834   |
| Repairs and Maintenance                            | 1,000                   | 1,000        | 20            | 980  |
| Contractual Services                               | 7,200                   | 7,200        | 2,620         | 4,580  |
| Supplies   | 5,000                   | 5,000        | 3,651         | 1,350  |
| Utilities  | 1,500                   | 1,500        | 1,413         | 87   |
| Other Operating Expenses                           | 16,738                  | 16,738       | 22,056        | (5,318)  |
| Planning Commission:                               |                         |              |               |  |
| Salaries   | 4,800                   | 4,800        | 3,940         | 860  |
| Contractual Services                               | 20,500                  | 20,500       | 13,575        | 6,925  |
| Other Operating Expenses                           | 1,000                   | 1,000        | 722           | 278  |
| Total Current                                      | 462,562                 | 462,562      | 365,986       | 96,576   |
| Capital Outlay                                     | 240,177                 | 240,177      | 1,006         | 239,171  |
| Total City Planner                                 | 702,739                 | 702,739      | 366,992       | 335,747  |
| Finance Department:                                |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 309,645                 | 314,967      | 314,539       | 428  |
| Contractual Services                               | 60,000                  | 70,136       | 69,929        | 207  |
| Supplies   | 4,000                   | 4,542        | 3,881         | 661  |
| Utilities  | 1,000                   | 1,000        | 987           | 13   |
| Other Operating Expenses                           | 8,450                   | 8,450        | 10,239        | (1,789)  |
| Total Current                                      | 383,095                 | 399,095      | 399,575       | (480)  |
| Capital Outlay                                     | 11,000                  | 11,000       | 8,163         | 2,837  |
| Total Finance Department                           | 394,095                 | 410,095      | 407,736       | 2,359  |
| Information Technology:                            |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 131,516                 | 131,516      | 132,860       | (1,344)  |
| Repairs and Maintenance                            | -                       | -            | 128           | (128)  |
| Contractual Services                               | 17,475                  | 17,475       | 10,563        | 6,912  |
| Supplies   | 3,000                   | 3,000        | 1,428         | 1,572  |
| Utilities  | 800                     | 800          | 1,903         | (1,103)  |
| Other Operating Expenses                           | 43,300                  | 43,300       | 19,352        | 23,948   |
| Total Current                                      | 196,091                 | 196,091      | 166,235       | 29,856   |
| Capital Outlay                                     | 125,800                 | 125,800      | 81,097        | 44,703   |
| Total Information Technology Department            | 321,891                 | 321,891      | 247,332       | 74,559   |
| City Attorney:                                     |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 191,415                 | 191,415      | 190,772       | 643  |
| Contractual Services                               | 600                     | 5,900        | 7,482         | (1,582)  |
| Supplies   | 1,000                   | 1,000        | 274           | 726  |
| Utilities  | 1,680                   | 1,680        | 3,060         | (1,380)  |
| Litigation Expense                                 | 2,000                   | 15,000       | 14,974        | 26   |
| Other Operating Expenses                           | 14,450                  | 14,450       | 13,016        | 1,434  |
| Total Current                                      | 211,145                 | 229,445      | 229,578       | (133)  |
| Capital Outlay                                     | 102,000                 | 2,000        | 1,831         | 169  |
| Total City Attorney                                | 313,145                 | 231,445      | 231,410       | 36   |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2007**

|  | <u>Budgeted Amounts</u> |              |               | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|--|-------------------------|--------------|---------------|--|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual</u> | <u>Final</u>   |
| <b>General Government Expenditures, Continued:</b> |                         |              |               |  |
| City Recorder:                                     |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 279,464                 | 279,464      | 264,578       | 14,886   |
| Repairs and Maintenance                            | 1,000                   | 1,000        | 1,555         | (555)  |
| Contractual Services                               | 15,300                  | 15,300       | 12,068        | 3,232  |
| Supplies   | 3,000                   | 3,000        | 3,516         | (516)  |
| Utilities  | 2,500                   | 2,500        | 1,288         | 1,212  |
| Other Operating Expenses                           | 22,900                  | 22,900       | 23,142        | (242)  |
| Total Current                                      | 324,164                 | 324,164      | 306,147       | 18,017   |
| Capital Outlay                                     | 115,500                 | 115,500      | 22,134        | 93,366   |
| Total City Recorder                                | 439,664                 | 439,664      | 328,281       | 111,383  |
| <b>Personnel Department:</b>                       |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 181,914                 | 181,914      | 177,349       | 4,565  |
| Repairs and Maintenance                            | 750                     | 750          | 614           | 136  |
| Contractual Services                               | 1,000                   | 1,000        | 818           | 182  |
| Supplies   | 800                     | 800          | (1,031)       | 1,831  |
| Utilities  | 600                     | 600          | 593           | 7  |
| Other Operating Expenses                           | 14,500                  | 14,500       | 12,563        | 1,937  |
| Total Current                                      | 199,564                 | 199,564      | 190,906       | 8,658  |
| Capital Outlay                                     | 2,000                   | 2,000        | 1,780         | 220  |
| Total Personnel Department                         | 201,564                 | 201,564      | 192,685       | 8,879  |
| <b>Codes Administration:</b>                       |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 408,426                 | 408,426      | 399,675       | 8,751  |
| Repairs and Maintenance                            | 870                     | 870          | 1,211         | (341)  |
| Contractual Services                               | 800                     | 800          | 725           | 75   |
| Supplies   | 3,900                   | 3,900        | 3,677         | 223  |
| Utilities  | 4,400                   | 4,400        | 4,662         | (262)  |
| Other Operating Expenses                           | 17,250                  | 17,250       | 16,044        | 1,206  |
| Total Current                                      | 435,646                 | 435,646      | 425,993       | 9,653  |
| Capital Outlay                                     | 12,650                  | 12,650       | 6,238         | 6,412  |
| Total Codes Administration                         | 448,296                 | 448,296      | 432,231       | 16,065   |
| <b>General Government Buildings:</b>               |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 182,418                 | 198,718      | 205,741       | (7,023)  |
| Repairs and Maintenance                            | 13,500                  | 13,500       | 14,313        | (813)  |
| Contractual Services                               | 8,500                   | 8,500        | 8,031         | 469  |
| Supplies   | 9,500                   | 9,500        | 12,277        | (2,777)  |
| Utilities  | 70,200                  | 70,200       | 64,467        | 5,733  |
| Tornado Expenses                                   | -                       | -            | 299           | (299)  |
| Other Operating Expenses                           | 13,650                  | 13,650       | 10,622        | 3,028  |
| Total Current                                      | 297,768                 | 314,068      | 315,750       | (1,682)  |
| Capital Outlay                                     | 37,000                  | 37,000       | 25,219        | 11,781   |
| Total General Government Buildings                 | 334,768                 | 351,068      | 340,969       | 10,099   |
| <b>Risk Management:</b>                            |                         |              |               |  |
| Current:   |                         |              |               |  |
| Insurance  | 607,500                 | 698,500      | 698,380       | 120  |
| Total Current                                      | 607,500                 | 698,500      | 698,380       | 120  |
| Capital Outlay                                     | -                       | -            | -             | -  |
| Total Risk Management                              | 607,500                 | 698,500      | 698,380       | 120  |
| Total General Government                           | 4,305,219               | 4,548,057    | 3,969,008     | 579,050  |
| <b>Economic Development Agency:</b>                |                         |              |               |  |
| Current:   |                         |              |               |  |
| Salaries and Employee Benefits                     | 131,639                 | 131,639      | 128,990       | 2,649  |
| Repairs and Maintenance                            | 984                     | 984          | 595           | 389  |
| Contractual Services                               | 652                     | 652          | 600           | 52   |
| Supplies   | 4,100                   | 4,100        | 3,570         | 530  |
| Utilities  | 3,350                   | 3,350        | 3,296         | 54   |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2007**

|  | <u>Budgeted Amounts</u> |              |               | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|--|-------------------------|--------------|---------------|--|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual</u> |  |
| <b>General Government Expenditures, Continued:</b> |                         |              |               |  |
| <b>Economic Development Agency: Continued</b>      |                         |              |               |  |
| Other Operating Expenses                           | 70,618                  | 70,618       | 58,657        | 11,961   |
| Total Current                                      | 211,343                 | 211,343      | 195,709       | 15,634   |
| Capital Outlay                                     | 17,199                  | 32,199       | 29,732        | 2,467  |
| Total Economic Development Agency                  | 228,542                 | 243,542      | 225,440       | 18,102   |
| <b>Public Safety:</b>                              |                         |              |               |  |
| <b>Police Department:</b>                          |                         |              |               |  |
| <b>Current:</b>                                    |                         |              |               |  |
| Salaries and Employee Benefits                     | 4,315,944               | 4,315,944    | 4,139,801     | 176,143  |
| Repairs and Maintenance                            | 30,500                  | 47,500       | 51,431        | (3,931)  |
| Contractual Services                               | 100,500                 | 353,111      | 337,650       | 15,460   |
| Supplies   | 58,500                  | 58,500       | 62,088        | (3,588)  |
| Utilities  | 39,250                  | 39,250       | 47,434        | (8,184)  |
| Tornado Expenses                                   | -                       | -            | 81            | (81)   |
| Other Operating Expenses                           | 300,600                 | 306,483      | 343,122       | (36,639)   |
| Grants   | -                       | 348,305      | 129,263       | 219,042  |
| <b>Police Special Funds:</b>                       |                         |              |               |  |
| Supplies   | 2,000                   | 2,000        | -             | 2,000  |
| Shop with a Cop                                    | 12,000                  | 12,000       | 7,827         | 4,173  |
| Other Operating Expenses                           | 5,000                   | 5,000        | -             | 5,000  |
| Total Current                                      | 4,864,294               | 5,488,093    | 5,118,698     | 369,395  |
| Capital Outlay                                     | 315,367                 | 315,711      | 288,808       | 26,903   |
| Total Police Department                            | 5,179,661               | 5,803,804    | 5,407,505     | 396,299  |
| <b>Fire Department:</b>                            |                         |              |               |  |
| <b>Current:</b>                                    |                         |              |               |  |
| Salaries and Employee Benefits                     | 3,049,194               | 3,049,194    | 2,942,525     | 106,669  |
| Repairs and Maintenance                            | 22,000                  | 22,000       | 29,787        | (7,787)  |
| Contractual Services                               | 19,500                  | 19,500       | 26,466        | (6,966)  |
| Supplies   | 17,500                  | 17,500       | 14,878        | 2,622  |
| Utilities  | 25,400                  | 25,400       | 30,137        | (4,737)  |
| Other Operating Expenses                           | 58,200                  | 58,200       | 58,285        | (85)   |
| Total Current                                      | 3,191,794               | 3,191,794    | 3,102,078     | 89,716   |
| Capital Outlay                                     | 423,309                 | 492,154      | 202,634       | 289,520  |
| Total Fire Department                              | 3,615,103               | 3,683,948    | 3,304,712     | 379,237  |
| Total Public Safety                                | 8,794,764               | 9,487,752    | 8,712,217     | 775,535  |
| <b>Animal Control:</b>                             |                         |              |               |  |
| <b>Current:</b>                                    |                         |              |               |  |
| Salaries and Employee Benefits                     | 40,069                  | 40,069       | 40,308        | (239)  |
| Repairs and Maintenance                            | 400                     | 400          | 639           | (239)  |
| Utilities  | 1,000                   | 1,000        | 1,173         | (173)  |
| Supplies   | 1,200                   | 1,200        | 873           | 327  |
| Other Operating Expense                            | 5,185                   | 5,185        | 4,126         | 1,059  |
| Total Current                                      | 47,854                  | 47,854       | 47,119        | 735  |
| Capital Outlay                                     | -                       | -            | -             | -  |
| Total Animal Control                               | 47,854                  | 47,854       | 47,119        | 735  |
| <b>Highway and Streets:</b>                        |                         |              |               |  |
| <b>Current:</b>                                    |                         |              |               |  |
| Salaries and Employee Benefits                     | 805,106                 | 807,056      | 768,026       | 39,030   |
| Contractual Services                               | 2,000                   | 2,000        | 2,178         | (178)  |
| Supplies   | 60,500                  | 60,500       | 67,231        | (6,731)  |
| Utilities  | 13,900                  | 13,900       | 15,203        | (1,303)  |
| Repairs and Maintenance                            | 55,000                  | 59,562       | 93,358        | (33,796)   |
| Other Operating Expenses                           | 14,750                  | 14,750       | 16,069        | (1,319)  |
| <b>State Street Aid:</b>                           |                         |              |               |  |
| Street Repair Materials                            | 186,500                 | 186,500      | 156,195       | 30,305   |
| Street Lighting, Signs and Signals                 | 266,000                 | 291,500      | 256,008       | 35,492   |
| Tornado Expenses                                   | -                       | -            | 6,187         | (6,187)  |
| Total Current                                      | 1,403,756               | 1,435,768    | 1,380,455     | 55,313   |
| Capital Outlay                                     | 259,884                 | 280,592      | 249,315       | 31,276   |
| Total Highway and Streets                          | 1,663,640               | 1,716,360    | 1,629,770     | 86,590   |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2007**

|   | Budgeted Amounts |           |           | Positive<br>(Negative)<br>Variance with<br>Final |
|---|------------------|-----------|-----------|--|
|   | Original         | Final     | Actual    |  |
| General Government Expenditures, Continued: |                  |           |           |  |
| Public Works:                               |                  |           |           |  |
| Current:                                    |                  |           |           |  |
| Salaries and Employee Benefits              | 132,300          | 132,300   | 131,365   | 935  |
| Repairs and Maintenance                     | 500              | 500       | 262       | 238  |
| Supplies                                    | 1,000            | 1,000     | 1,118     | (118)  |
| Utilities                                   | 1,659            | 1,659     | 1,206     | 453  |
| Other Operating Expenses                    | 4,720            | 4,720     | 3,648     | 1,072  |
| Total Current                               | 140,179          | 140,179   | 137,599   | 2,580  |
| Capital Outlay                              | 524,422          | 524,422   | 1,928     | 522,494  |
| Total Public Works                          | 664,601          | 664,601   | 139,527   | 525,074  |
| Parks and Recreation:                       |                  |           |           |  |
| Current:                                    |                  |           |           |  |
| Salaries and Employee Benefits              | 939,642          | 1,118,337 | 1,121,771 | (3,434)  |
| Contractual Services                        | 30,000           | 30,000    | 21,706    | 8,294  |
| Utilities                                   | 94,500           | 94,500    | 88,221    | 6,279  |
| Repairs and Maintenance                     | 45,500           | 58,700    | 51,483    | 7,217  |
| Supplies                                    | 193,000          | 195,500   | 183,990   | 11,510   |
| Other Operating Expenses                    | 46,650           | 46,650    | 62,971    | (16,321)   |
| Civic Center:                               |                  |           |           |  |
| Salaries and Employee Benefits              | 496,656          | 397,661   | 401,521   | (3,860)  |
| Contractual Services                        | 60,000           | 60,000    | 57,438    | 2,563  |
| Utilities                                   | 178,600          | 178,600   | 175,216   | 3,384  |
| Supplies                                    | 90,000           | 90,050    | 98,878    | (8,828)  |
| Repairs and Maintenance                     | 65,000           | 65,000    | 54,534    | 10,466   |
| Other Operating Expenses                    | 12,750           | 12,750    | 11,058    | 1,692  |
| Total Current                               | 2,252,298        | 2,347,748 | 2,328,785 | 18,963   |
| Capital Outlay                              | 275,969          | 635,969   | 249,420   | 386,549  |
| Total Parks and Recreation                  | 2,528,267        | 2,983,717 | 2,578,205 | 405,512  |
| Engineering:                                |                  |           |           |  |
| Current:                                    |                  |           |           |  |
| Salaries and Employee Benefits              | 320,009          | 320,009   | 282,419   | 37,590   |
| Contractual Services                        | 12,000           | 12,000    | 16,278    | (4,278)  |
| Utilities                                   | 3,000            | 3,000     | 2,940     | 60   |
| Supplies                                    | 2,300            | 2,300     | 1,418     | 882  |
| Repairs and Maintenance                     | 1,000            | 1,000     | 1,188     | (188)  |
| Other Operating Expenses                    | 11,600           | 11,600    | 14,034    | (2,434)  |
| Total Current                               | 349,909          | 349,909   | 318,276   | 31,633   |
| Capital Outlay                              | 1,615,572        | 2,459,571 | 752,219   | 1,707,352  |
| Total Engineering                           | 1,965,481        | 2,809,480 | 1,070,495 | 1,738,985  |
| Community Services:                         |                  |           |           |  |
| Current:                                    |                  |           |           |  |
| Appropriations to Non-Profit Organizations  | 70,000           | 70,000    | 70,000    | -  |
| Grants and Donations                        | 122,500          | 124,000   | 116,500   | 7,500  |
| Utilities                                   | -                | -         | 140       | (140)  |
| Total Current                               | 192,500          | 194,000   | 186,640   | 7,360  |
| Capital Outlay                              | -                | -         | -         | -  |
| Total Community Services                    | 192,500          | 194,000   | 186,640   | 7,360  |
| Vehicle Maintenance:                        |                  |           |           |  |
| Current:                                    |                  |           |           |  |
| Salaries and Employee Benefits              | 215,095          | 215,095   | 207,082   | 8,013  |
| Contractual Services                        | 500              | 500       | -         | 500  |
| Utilities                                   | 14,097           | 14,097    | 17,270    | (3,173)  |
| Supplies                                    | 1,200            | 1,200     | 1,827     | (627)  |
| Repairs and Maintenance                     | 125,800          | 125,800   | 93,616    | 32,184   |
| Other Operating Expenses                    | 10,294           | 10,294    | 9,313     | 981  |
| Total Current                               | 366,986          | 366,986   | 329,108   | 37,878   |
| Capital Outlay                              | -                | -         | -         | -  |
| Total Vehicle Maintenance                   | 366,986          | 366,986   | 329,108   | 37,878   |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2007**

|  | <u>Budgeted Amounts</u> |                     |                      | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|--|-------------------------|---------------------|----------------------|--|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>        |  |
| <b>Debt Service</b>                          | 865,045                 | 865,045             | 865,045              | -  |
| <b>Capital Outlay- Contingences</b>          |                         |                     |                      | -  |
| <b>Total Expenditures</b>                    | 21,622,899              | 23,927,394          | 19,752,573           | 4,174,821  |
| Excess of Revenues Over (Under) Expenditures | (3,464,699)             | (3,453,276)         | 1,789,950            | 5,243,225  |
| <b>Other Financing Sources (Uses)</b>        |                         |                     |                      |  |
| Contributions                                | 108,000                 | 130,711             | 466,113              | 335,402  |
| Insurance Proceeds                           | -                       | 21,500              | 26,597               | 5,097  |
| Operating Transfers In (Out)                 | 334,859                 | 334,859             | 735,710              | 400,851  |
| Sales of Capital Assets                      | -                       | -                   | 15,966               | 15,966   |
| Total Other Financing Sources (Uses)         | <u>442,859</u>          | <u>487,069</u>      | <u>1,244,385</u>     | <u>757,316</u>   |
| <b>Net Change in Fund Balances</b>           | (3,021,840)             | (2,966,206)         | 3,034,335            | 6,000,541  |
| <b>Fund Balance - July 1, 2006</b>           | 8,923,903               | 8,923,903           | 8,285,392            | 8,285,392  |
| <b>Prior Period Adjustment</b>               | -                       | -                   | 638,511              | 638,511  |
| <b>Fund Balance - June 30, 2007</b>          | <u>\$ 5,902,063</u>     | <u>\$ 5,957,697</u> | <u>\$ 11,958,238</u> | <u>\$ 14,924,444</u>                                       |

See auditors' report and notes to the financial statements.



**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Major Governmental Funds**  
**For the Year Ended June 30, 2007**

|  | Environmental Services Fund |            |  | Capital Projects 2007 Fund |                |  |
|--|-----------------------------|------------|--|----------------------------|----------------|--|
|  | Budgeted Amounts            |            | Positive<br>(Negative)<br>Variance with<br>Final | Budgeted Amounts           |                | Positive<br>(Negative)<br>Variance with<br>Final |
|  | Original                    | Final      |  | Original                   | Final          |  |
| <b>Revenues</b>                              |                             |            |  |                            |                |  |
| Charges for Services                         | \$ 979,400                  | \$ 979,400 | \$ (2,454)                                       | \$ -                       | \$ -           | \$ -   |
| Miscellaneous:                               |                             |            |  |                            |                |  |
| Interest Earnings                            | -                           | -          | -  | -                          | -              | -  |
| Sale of Supplies                             | 37,500                      | 37,500     | 12,775   | -                          | 121,381        | 121,381  |
| Other Revenue                                | 500                         | 14,769     | 336,254  | -                          | -              | -  |
| Total Revenues                               | 1,017,400                   | 1,031,669  | 346,576  | -                          | 121,381        | 121,381  |
| <b>Expenditures</b>                          |                             |            |  |                            |                |  |
| Current:                                     |                             |            |  |                            |                |  |
| Salaries, Wages and Employee Benefits        | 608,469                     | 608,469    | 11,608   | -                          | -              | -  |
| Contractual Services                         | 4,000                       | 4,000      | 2,130  | -                          | -              | -  |
| Repairs and Maintenance                      | 56,100                      | 56,100     | 1,807  | -                          | -              | -  |
| Summer County Resource Authority:            |                             |            |  |                            |                |  |
| Tipping Fees                                 | 480,000                     | 475,609    | 4,391  | -                          | -              | -  |
| Contractual Assessment                       | 250,000                     | 250,000    | 250,000  | -                          | -              | -  |
| Supplies                                     | 42,500                      | 45,140     | (2,640)  | -                          | -              | -  |
| Utilities                                    | 6,950                       | 7,054      | (104)  | -                          | -              | -  |
| Insurance                                    | -                           | 50,499     | (50,499)   | -                          | -              | -  |
| Legal Services                               | -                           | -          | -  | -                          | -              | -  |
| Other Current Operating                      | 72,417                      | 72,417     | (27,458)   | -                          | 98,986         | (98,986)   |
| Tornado Expenses                             | -                           | -          | (249,427)  | -                          | -              | -  |
| Miscellaneous                                | -                           | -          | -  | -                          | -              | -  |
| Capital Outlay                               | 12,000                      | 24,718     | 8,209  | -                          | -              | -  |
| Total Expenditures                           | 1,532,436                   | 1,545,154  | (51,984)   | -                          | 7,596,850      | 7,596,850  |
| Excess of Revenues Over (Under) Expenditures | (515,036)                   | (513,485)  | 294,591  | -                          | (7,596,850)    | 7,619,245  |
| <b>Other Financing Sources (Uses)</b>        |                             |            |  |                            |                |  |
| Debt Issuance                                | -                           | -          | -  | -                          | -              | -  |
| Insurance Proceeds                           | -                           | -          | -  | -                          | 7,500,000      | 7,500,000  |
| Operating Transfers In (Out)                 | 515,036                     | 515,036    | (296,146)  | -                          | -              | -  |
| Total Other Financing Sources (Uses)         | 515,036                     | 515,036    | (296,146)  | -                          | 7,500,000      | 7,500,000  |
| <b>Net Change in Fund Balances</b>           | -                           | 1,551      | (1,554)  | -                          | (7,596,850)    | 15,119,245                                       |
| <b>Fund Balance - July 1, 2006</b>           | 22,526                      | 22,526     | -  | -                          | -              | -  |
| <b>Fund Balance - June 30, 2007</b>          | \$ 22,526                   | \$ 24,076  | \$ (1,554)                                       | \$ -                       | \$ (7,596,850) | \$ 15,119,245                                    |

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1. Significant Accounting Policies**

The City of Gallatin, Tennessee was incorporated November 7, 1815. The City operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Gallatin, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. Reporting Entity**

The accompanying financial statements present the government and its component unit. There are no fiduciary funds presented. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

The Industrial Development Board (a Corporation) of the City of Gallatin, Tennessee was established to promote industry and develop trade for the City. The Corporation's board is appointed by the Mayor and approved by the City Council. The Corporation issues industrial development bonds for private enterprises. The bonds do not constitute debt of the City and are secured solely by revenues received from the commercial organizations on whose behalf the bonds are issued. The City must approve any debt issues of the Corporation. The Board is discretely presented as a Governmental Fund-Component Unit in the accompanying financial statements. Financial statements of the Board are available from the City Finance Director.

Related Organizations

The City's officials are also responsible for appointing the members of the board of the following organization, but the City's accountability for this organization does not extend beyond making the appointments.

Gallatin Housing Authority-The Board of the Authority is appointed by the Mayor, but the city does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority. Accordingly, the Authority has not been included in the reporting entity.

Joint Venture

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville and operates a solid waste energy recovery plant. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 1. Significant Accounting Policies – Continued**

**B. Government-wide and Fund Financial Statements - Continued**

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available in the period for which levied if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

Environmental Service Fund – accounts for activities related to the collection and disposal of refuse (Special Revenue Fund)

Capital Projects – 2007 - accounts for activities related to the financing and construction of road projects and the library.

The government reports the following major proprietary funds:

Water & Sewer Fund - accounts for the water and waste water services provided to customers of the system

Natural Gas Fund - accounts for the distribution of natural gas to customers of the system

Electric Fund - accounts for the activities of the government's electric distribution operations

Golf Course Fund - accounts for the activities of the City's municipal golf course

The City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". Accordingly, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City, however, has elected not to apply FASB pronouncements issued subsequent to that date.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 1. Significant Accounting Policies – Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. Expenses are allocated among various city functions including administrative overhead charges allocated by the general fund to various city functions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds and golf course fund are charges to customers for sales and services. The Water & Sewer fund also recognizes as contributions the portion of tap fees intended to recover the cost of connecting new customers to the system. Contributions in the electric fund include federal, state and local grants in support of system improvements. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Cash and Investments**

For purposes of the proprietary statements of cash flows, the City defines its cash and cash equivalents to include only cash on hand, demand deposits, money-market accounts, deposits with the Tennessee Local Government Investment Pool, and all highly liquid investments with original maturities of three months or less from the date of acquisition. Certain cash is reported as restricted because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction

**E. Inventories**

Inventory of the Water & Sewer and Gas Funds is valued at the lower of cost or market using a weighted-average flow assumption. Inventory of the Electric System is stated at average cost as determined by the moving average inventory method. Inventory of the General Fund consists of expendable supplies held for consumption. Governmental fund inventories are recorded at cost under the consumption method.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2002, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to July 1, 2002. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Electric System values capital assets at historical cost and computes depreciation based on average rates which range from 3% to 20%.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 1. Significant Accounting Policies – Continued**

**F. Capital Assets - Continued**

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                        |             |
|------------------------|-------------|
| Infrastructure         | 50 years    |
| Buildings / Structures | 25-50 years |
| Distribution Systems   | 10-50 years |
| Equipment / Vehicles   | 3-10 years  |
| Furniture / Fixtures   | 3-10 years  |

**G. Property Tax**

The City's property tax is levied each October 1<sup>st</sup> on the assessed value listed as the prior January 1<sup>st</sup> for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1<sup>st</sup> of the year assessments are made. Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the City attorney for collection proceedings. Property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is doubtful.

Under GASB Statement 33, *Accounting for Non-exchange Transactions*, property taxes are imposed nonexchange revenue. Accounts receivable from imposed nonexchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date of January 1<sup>st</sup>. Therefore, the City has recorded the succeeding year's receivable and deferred revenue for taxes assessed as of June 30, 2007 that will not be received until after year-end.

**H. Interfund Receivables, Payables and Transfers**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and not expendable available resources.

**I. Compensated Absences**

Vacation pay is accumulated at the rate of one week after the first year of employment and two weeks a year for every year until year eleven, then one day is added for each year up to a maximum of 20 days. Sick leave is accumulated at the rate of one day per month (10 days per year for the Electric Fund). At retirement, an employee will be paid accumulated sick leave ranging from 20-50% based on either their age, or years of service on effective date of retirement.

**J. Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 1. Significant Accounting Policies – Continued**

**J. Long-Term Liabilities**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. Fund Balance Reserves**

Reserves represent those portions of fund equity not appropriated for expenditure, legally segregated for a specific future use or committed to outside third parties. Designated fund balances represent tentative plans for future use of unreserved fund equity, but are subject to change.

**L. Net Assets**

Restricted net assets are net assets less related liabilities reported in the government-wide statement of net assets that have limitations imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, contributors, legislation, or the other governments.

Net Assets Invested in Capital Assets Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

**M. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash and Investments**

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

*Policies:* Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

*Deposits:* As of June 30, 2007, all of the City's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee or in the State of Tennessee Local Government Investment Pool ("LGIP"). Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

*Investments:* As of June 30, 2007, the City also held investments in various debt securities with Multi-Bank Securities, Inc. The electric fund also held certificates of deposit with interest rates ranging from 5.13% to 5.65% and maturities exceeding three months.

*Custodial Credit Risk:* Since the debt security investments are of agencies of the U.S. Government they are not considered to have custodial credit risk.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 2. Cash and Investments - Continued**

*Credit Risk:* The City's credit risk concentration for investments in debt securities at June 30, 2007 is as follows:

**Credit Quality Distribution of Securities**  
**With Credit Exposure as a Percentage of Total Investments**

Federal Home Loan Bank AAA 86%

Federal Home Loan Mortgage Corporation AAA 14%

*Concentration of Credit Risk :* At June 30, 2007 the City had the following investments:

| Investment Type                     | <u>Fair Value</u> | <u>Weighted Average<br/>Maturity (Years)</u> |
|-------------------------------------|-------------------|--|
| U.S. agencies                       | \$1,997,190       | 1.625  |
| Total fair value                    | \$1,997,190       |  |
| Portfolio weighted average maturity | 1.625             |  |

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows.

**Note 3. Capital Assets**

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

|  | <u>Balance<br/>7/1/2006</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance<br/>6/30/2007</u> |
|--|-----------------------------|------------------|------------------|------------------------------|
| <b>Governmental Activities</b>             |                             |                  |                  |                              |
| Capital Assets not being Depreciated       |                             |                  |                  |                              |
| Land                                       | \$ 3,359,248                | \$ 599,068       | \$ -             | \$ 3,958,316                 |
| Capital Assets being Depreciated           |                             |                  |                  |                              |
| Buildings                                  | \$ 10,408,162               | 153,441          | -                | \$ 10,561,603                |
| Other Improvement                          | 3,106,943                   | 211,290          | -                | 3,318,232                    |
| Infrastructure                             | 21,585,792                  | 1,911,301        | -                | 23,497,093                   |
| Machinery & Equipment                      | 3,508,506                   | 524,172          | -                | 4,032,679                    |
| Vehicles                                   | 6,729,090                   | 312,274          | 198,520          | 6,842,844                    |
| Total Capital Assets being Depreciated     | \$ 45,338,492               | \$ 3,112,478     | \$ 198,520       | \$ 48,252,450                |
| <b>Business-type Activities</b>            |                             |                  |                  |                              |
| Capital Assets not being Depreciated       |                             |                  |                  |                              |
| Land & Right of Way                        | \$ 1,611,533                | \$ 12,440        | 288,023          | \$ 1,335,950                 |
| Water Usage Rights                         | 54,000                      | -                | -                | 54,000                       |
| Construction in Progress                   | 8,176,994                   | 3,110,348        |                  | 11,287,342                   |
| Total Capital Assets not being Depreciated | \$ 9,842,527                | \$ 3,122,788     | \$ 288,023       | \$ 12,677,292                |

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 3. Capital Assets - Continued**

**Capital Assets being Depreciated**

|   |                       |                     |                   |                       |
|---|-----------------------|---------------------|-------------------|-----------------------|
| Building & Structures                         | \$ 3,175,526          | \$ 445,212          | \$ -              | \$ 3,620,738          |
| Distribution Systems                          | 116,717,686           | 7,304,236           | 483,130           | 123,538,792           |
| Equipment & Vehicles                          | 3,683,202             | 434,495             | -                 | 4,117,697             |
| Furniture & Fixtures                          | 1,100,298             | 5,685               | -                 | 1,105,983             |
| <b>Total Capital Assets being Depreciated</b> | <b>\$ 124,676,712</b> | <b>\$ 8,189,628</b> | <b>\$ 483,130</b> | <b>\$ 132,383,210</b> |

**Governmental Activities**

**Accumulated Depreciation**

|                                       |                      |                     |                   |                      |
|---------------------------------------|----------------------|---------------------|-------------------|----------------------|
| Buildings & Structures                | \$ 3,484,812         | \$ 262,648          | -                 | \$ 3,747,461         |
| Other Improvements                    | 532,684              | 119,640             | -                 | 652,325              |
| Infrastructure                        | 3,370,297            | 450,913             | -                 | 3,821,210            |
| Equipment                             | 2,579,107            | 381,651             | -                 | 2,960,757            |
| Vehicles                              | 4,797,534            | 553,666             | 198,520           | 5,152,680            |
| <b>Total Accumulated Depreciation</b> | <b>\$ 14,764,434</b> | <b>\$ 1,768,519</b> | <b>\$ 198,520</b> | <b>\$ 16,334,433</b> |

**Business-type Activities**

**Accumulated Depreciation**

|                                       |                      |                     |                   |                      |
|---------------------------------------|----------------------|---------------------|-------------------|----------------------|
| Building & Structures                 | \$ 1,572,893         | \$ 106,388          | \$ -              | \$ 1,679,281         |
| Distribution Systems                  | 41,526,252           | 3,472,654           | 476,140           | 44,522,766           |
| Equipment and Vehicles                | 3,043,750            | 215,961             | -                 | 3,259,711            |
| Furniture and Fixtures                | 1,034,382            | 20,282              | -                 | 1,054,664            |
| <b>Total Accumulated Depreciation</b> | <b>\$ 47,177,277</b> | <b>\$ 3,815,285</b> | <b>\$ 476,140</b> | <b>\$ 50,516,423</b> |

|  |                      |                     |                   |                      |
|--|----------------------|---------------------|-------------------|----------------------|
| <b>Total Governmental Activities, Net</b>  | <b>\$ 33,933,306</b> | <b>\$ 1,943,028</b> | <b>-</b>          | <b>\$ 35,876,334</b> |
| <b>Total Business-type Activities, Net</b> | <b>\$ 87,341,961</b> | <b>\$ 7,497,131</b> | <b>\$ 295,014</b> | <b>\$ 94,544,079</b> |

Depreciation expense was charged to functions/programs of the primary government as follows:

**Depreciation Expense by Function**

**Governmental Activities**

|                                |                     |
|--------------------------------|---------------------|
| General Government             | \$ 187,575          |
| Public Safety                  | 521,482             |
| Animal Control                 | -                   |
| Highways, Streets and Roadways | 482,755             |
| Public Works                   | 14,294              |
| Environmental Services         | 80,289              |
| Parks and Recreation           | 434,424             |
| Engineering                    | 37,096              |
| Community Services             | -                   |
| Economic Development           | 6,247               |
| Vehicle Maintenance            | 4,355               |
|                                | <b>\$ 1,768,517</b> |

**Business-type Activities**

|                 |                     |
|-----------------|---------------------|
| Electric        | \$ 917,447          |
| Gas             | 598,507             |
| Golf            | 75,694              |
| Water and Sewer | 2,056,511           |
|                 | <b>\$ 3,648,159</b> |



**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 4. Long-Term Debt**

The following are summaries of long-term debt maturities of the City for the year ended June 30, 2007. Refer to page 48 for a detail of long-term debt maturities: Note that other long-term liabilities are generally liquidated using governmental activities cash.

| Year Ended<br>June 30, | Principal<br>Due | Interest<br>Due |
|------------------------|------------------|-----------------|
| 2008                   | 950,000          | 494,411         |
| 2009                   | 965,000          | 632,222         |
| 2010                   | 980,000          | 606,459         |
| 2011                   | 985,000          | 578,571         |
| 2012                   | 995,000          | 549,772         |
| 2013-2017              | 5,095,000        | 2,241,093       |
| 2018-2022              | 4,300,000        | 1,164,126       |
| 2023-2027              | 3,770,000        | 431,862         |
| Total Long-term Debt   | 18,040,000       | 6,698,515       |

The following is a summary of changes to long-term liabilities during the year ended June 30, 2007

|  | Balance<br>7/1/2006 | Additions    | Disposals    | Balance<br>6/30/2007 | Due Within<br>1 Year |
|--|---------------------|--------------|--------------|----------------------|----------------------|
| <b>Governmental Activities</b>                       |                     |              |              |                      |                      |
| <b>Bonds and Notes Payable</b>                       |                     |              |              |                      |                      |
| Revenue Bonds  | \$ 3,415,000        | \$ 7,500,000 | \$ 775,000   | \$ 10,140,000        | \$ 410,000           |
| Total Bonds and Notes Payable                        | \$ 3,415,000        | \$ 7,500,000 | \$ 775,000   | \$ 10,140,000        | \$ 410,000           |
| <b>Other Long-Term Liabilities</b>                   |                     |              |              |                      |                      |
| Compensated Absences                                 | \$ 749,291          | \$ 706,864   | \$ 710,530   | \$ 745,625           | \$ -                 |
| Total Other Long-Term Liabilities                    | \$ 749,291          | \$ 706,864   | \$ 710,530   | \$ 745,625           | \$ -                 |
| Total Governmental Activities Long-Term Liabilities  | \$ 4,164,291        | \$ 8,206,864 | \$ 1,485,530 | \$ 10,885,625        | \$ 410,000           |
| <b>Business-type Activities</b>                      |                     |              |              |                      |                      |
| <b>Bonds and Notes Payable</b>                       |                     |              |              |                      |                      |
| Revenue Bonds  | \$ 8,445,000        | \$ -         | \$ 545,000   | \$ 7,900,000         | \$ 540,000           |
| Total Bonds and Notes Payable                        | \$ 8,445,000        | \$ -         | \$ 545,000   | \$ 7,900,000         | \$ 540,000           |
| <b>Other Long-Term Liabilities</b>                   |                     |              |              |                      |                      |
| Compensated Absences                                 | 457,110             | 225,986      | 277,290      | 405,806              | -                    |
| Total Other Long-Term Liabilities                    | \$ 457,110          | \$ 225,986   | \$ 277,290   | \$ 405,806           | \$ -                 |
| Total Business-type Activities Long-Term Liabilities | \$ 8,902,110        | \$ 225,986   | \$ 822,290   | \$ 8,305,806         | \$ 540,000           |

**Industrial Development Bonds**

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Advance Refunding of Bonds**

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2007, outstanding bonds considered as defeased were as follows:

|  |              |
|--|--------------|
| Sewer & Water Revenue Tax Bonds - Series 1997 (2004) | \$ 3,600,000 |
| General Obligation Bonds - Series 1997 (2004)        | \$ 2,850,000 |

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 5. Pension Plan**  
**A. Plan Description**

City of Gallatin

The City (exclusive of the electric utility) administers an IRC Section 401K plan (the Plan) with a Roth option effective January 1, 2007. Employees of the City's Municipal Service departments, Water and Sewer Utility Fund, Natural Gas Utility Fund, and Municipal Golf Course Fund are eligible to participate in the Plan.

The plan assets are not held by the City and the City does not exercise a trustee responsibility over such assets nor does the City actively participate in the Plan's management or administration. Accordingly, the City does not meet the criteria necessary for presentation of the Plan as a fiduciary fund of the City.

Electric Department

The Gallatin Department of Electricity Employees' Pension Plan (the Electric Plan) is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. The Electric Plan covers substantially all Department employees. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

**B. Funding Policy**

City of Gallatin

The Plan allows employees to make tax deferred contributions into self-directed investments of as much as allowable under the internal revenue code. From July 1, 2006 to January 1, 2007, the City contributed 3% of the employee's annual compensation and matched up to an additional 3% of the employee's contribution. Effective January 1, 2007, the City contributed 5% of the employee's annual compensation and matched up to an additional 4% of the employee's contribution.

Electric Department

The contribution requirements of Electric Plan members and the department are established and may be amended by the Gallatin Electric Power Board. Electric Plan members are required to contribute 3% of their annual covered salary. The Department is required to contribute at an actuarially determined rate. The current rate is 12.99% of annual covered payroll.

**C. Annual Pension Cost**

City of Gallatin

The maximum contribution to the Plan by the City is defined as up to 6% of an eligible employee's annual compensation. The City contributed \$938,427 on behalf of the employees during 2007.

Electric Department

For 2007, the Department's annual pension cost of \$181,358 was equal to the Department's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the aggregate cost method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases of 4% per year, and (c) 1.5% per year cost-of-living adjustments. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

**Trend Information**

| <b>Fiscal<br/>Year<br/>Ending</b> | <b>Annual<br/>Pension<br/>Cost (APC)</b> | <b>Percentage<br/>of APC<br/>Contributed</b> | <b>Net<br/>Pension<br/>Obligation</b> |
|-----------------------------------|--|--|---------------------------------------|
| 6/30/2007                         | \$ 181,358                               | 100.00%                                      | \$ -                                  |
| 6/30/2006                         | \$ 167,636                               | 100.00%                                      | \$ -                                  |
| 6/30/2005                         | \$ 133,442                               | 100.00%                                      | \$ -                                  |

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 6. Other Post-Employment Benefits-Electric Fund**

In addition to its employee retirement plan, the Electric Fund provides post-employment benefits in the form of supplemental health insurance premium reimbursements to eligible retirees. The benefits are provided in accordance with Department policy. The criteria to determine eligibility include years of service and employee age at date of retirement. The department funds the benefits on a pay-as-you-go basis. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. During 2007, the System paid out \$8,913 to eligible retirees. There are eight retirees currently eligible to receive benefits.

The City has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City is therefore unable to disclose the impact that adopting GASB Statement No. 45 will have on its financial position and the results of its operations when the Statement is adopted beginning July 1, 2008.

**Note 7. Risk Management**

The City is exposed to various risks to general liability and property and casualty losses. The City deems it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty and workman's compensation coverage. The City participates in the TML Risk Management Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability and casualty insurance coverage.

The City carries commercial insurance for the Department of Electricity general liability, property, casualty, workman's compensation coverage and employee health and accident. The City also carries commercial insurance for all other risks of loss, including employees health and accident and environmental. Settled claims for these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 8. Commitments, Concentrations and Contingencies**

**A. Commitments**

**Natural Gas Fund**

The City purchases natural gas under various contracts requiring the purchase of minimum quantities of natural gas from suppliers at costs based upon national index prices. Natural gas purchases exceeding the specified minimum quantities are made at the going market value. City management believes any risk associated with minimum purchase quantities as specified in the aforementioned contracts to be minimal. Further, the City is committed under various natural gas transportation agreements requiring specified minimum transmission capacities.

**Electric Fund**

The City purchased discounted energy units (DEU) from the Tennessee Valley Authority (TVA) during 2003 whereby they would prepay a portion of the price of a block of kilowatt hour yet to be supplied by TVA. The DEU are being recognized on a straight-line method over 10 years.

**Sumner County Resource Authority**

The City has entered into an agreement with the Sumner County Resource Authority, a joint venture (the Authority), Sumner County, TN and the City of Hendersonville, TN which provides that in the event the Authority's revenues are insufficient to cover the costs of operation and debt retirement the County and Cities shall pay such deficit in the proportions of 3/7, 2/7, and 2/7, respectively. These same entities have executed a "Contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Authority be unable to do so.

The Authority operates primarily as a solid waste transfer station. The City utilizes the Authority for solid waste disposal purposes at essentially the same cost per ton as in prior years. There is uncertainty as to the future operations of the Authority, as well as, the costs relative to the change in operations, or possible dissolution.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 8. Commitments, Concentrations and Contingencies - Continued**

**B. Commitments - Continued**

The Authority, as of June 30, 2007, has net assets invested in capital assets (net of related debt) in the amount of \$2,702,945 and an unrestricted net deficit of (\$693,297) as compared to \$2,917,039 and (\$826,298) for the year 2006. During 2007, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$475,609 in tipping fees. Deficit funding and tipping fees amounted to \$508,832 and \$467,434, respectively for 2006.

**C. Concentrations**

The business-type activities have a concentration of accounts receivable with customers who are geographically concentrated in the City service area. The business-type activities, excluding the golf fund, require a cash deposit from new customers or a letter of credit from a previous utility company showing timely payment of bills. These requirements are in place to mitigate the risk of uncollectible accounts. During the year ended June 30, 2007, The City supplied utility services to a corporation accounting for 3% of Water and Sewer Fund revenues, 29% of natural gas revenues and 20.2% of electric fund revenues.

**D. Contingencies**

There are pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation would not materially affect the accompanying financial statements of the City.

**Note 9. Interfund Balances and Transfers**

Interfund balances as of June 30, 2007, consist of the following:

|                          | <b>Due to Fund</b>  |                   |                     |
|--------------------------|---------------------|-------------------|---------------------|
| <b>Due From Fund</b>     | <b>General Fund</b> | <b>Golf</b>       | <b>Total</b>        |
| General Fund             | \$ -                | \$ 184,525        | \$ 184,525          |
| Environmental Services   | 320,000             | -                 | 320,000             |
| Other Governmental Funds | -                   | -                 | -                   |
| Electric                 | -                   | -                 | -                   |
| Gas                      | -                   | -                 | -                   |
| Golf                     | 1,250,000           | -                 | 1,250,000           |
| Water & Sewer            | -                   | -                 | -                   |
|                          | <u>\$ 1,570,000</u> | <u>\$ 184,525</u> | <u>\$ 1,754,525</u> |

The net balance of \$1,065,475 due to the general fund from the golf fund resulted from loans made to fund operations. The balance is not scheduled to be collected in the subsequent year. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2007, consisted of the following:

|                          | <b>Transfer To:</b> |                               |                     |
|--------------------------|---------------------|-------------------------------|---------------------|
| <b>Transfer From</b>     | <b>General Fund</b> | <b>Environmental Services</b> | <b>Total</b>        |
| General Fund             | \$ -                | 218,890                       | \$ 218,890          |
| Environmental Services   | -                   | -                             | -                   |
| Other Governmental Funds | 67,565              | -                             | 67,565              |
| Electric                 | 479,604             | -                             | 479,604             |
| Gas                      | 196,344             | -                             | 196,344             |
| Golf                     | -                   | -                             | -                   |
| Water & Sewer            | 211,087             | -                             | 211,087             |
|                          | <u>\$ 954,600</u>   | <u>\$ 218,890</u>             | <u>\$ 1,173,491</u> |

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 9. Interfund Balances and Transfers - Continued**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 10. Fund Balances- Reserves and Designations and Prior Period Adjustment**

The City records reserves to indicate that a portion of the governmental fund balances are legally segregated. The following is a description of the reserved amounts:

Reserved for Inventory - Amounts are reserved for supply inventory are not readily convertible to spendable resources and accordingly, not available for appropriation.

Reserved for Drug Fund - Amounts are reserved for police operations for drug and sex-offender programs as required by state enabling legislation.

Reserved for Endowment- Amounts are segregated for the non-expendable corpus, as established by court decree for fund balances of the Thomas A. Witherspoon Educational Memorial Trust Fund in the amounts of \$15,000. All net appreciation on investments of donor-restricted endowments is available for authorization for expenditure by the governing board, and is reported as interest income.

Designations of governmental fund balances are not legally required segregations but are segregated by the City's management for specific purposes. As of June 30, 2007 the City's designated unreserved fund balances are described as follows:

Designated for Capital Projects- The designation of a portion of the governmental fund balances for the future acquisition of capital assets appropriated in a previous year but not expended. Such amounts are subject to change and may not result in the exact amount indicated being expended.

Designated for Other- The City purposely excludes 20% of general fund revenues for future use as determined by the governing body and requires a supermajority of votes by the governing body to appropriate.

The governmental fund balances was restated as of the beginning of the fiscal year from \$10,572,214 to \$11,210,725 an increase of \$638,511. The increase is a result of various accounts receivable for taxes being omitted from prior year financial statements and represents a correction of an error.

**Note 11. Net Assets**

Restricted assets consist of the following:

Restricted for Endowment- Amounts are segregated for the non-expendable corpus, as established by court decree for fund balances of the Thomas A. Witherspoon Educational Memorial Trust Fund in the amounts of \$15,000. All net appreciation on investments of donor-restricted endowments is available for authorization for expenditure by the governing board, and is reported as interest income.

Restricted for Drug Fund - Amounts are reserved for police operations for drug and sex-offender programs as required by state enabling legislation.

Net assets were restated as of the beginning of the fiscal year from \$138,874,898 to \$139,145,808, an increase of \$270,910. The increase is a result of various accounts receivable for taxes and grants being omitted from prior year financial statements and represents a correction of an error.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements - Continued**  
**June 30, 2007**

**Note 12. Budget Information**

**A. Budget Basis**

Budgets for the General Fund and Special Revenue Funds are adopted on the modified accrual basis consistent with generally accepted accounting principles (GAAP).

**B. Budget Policies and Procedures**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to year end, the Director of Finance and Mayor submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain taxpayer comments on the budget.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. The Department Heads are authorized to transfer budgeted amounts within their departments; however, any revisions that alter the total expenditures of any department function or fund must be approved by the City Council.
- E. Formal Budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Fund.
- F. Budgeted amounts are as originally adopted, or as amended by the City Council. Budget appropriations lapse at year end.

**C. Budget Overages**

As of June 30, 2007, the following budget overages were noted. Funding of any deficiencies is the ultimate responsibility of the City of Gallatin, Tennessee.

| <u>Fund/Department</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Overage</u> |
|------------------------|-------------------------|---------------|----------------|
| Environmental Services | 1,545,154               | 1,597,138     | (51,984)       |

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Funding Progress**  
**Electric Fund Pension Plan**  
**June 30, 2007**

| Fiscal Year Ended | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded AAL/ Surplus (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) | Investment Assumption |
|-------------------|--------------------------|-------------------------------|---------------------------------|------------------------------------|--------------------|---------------------|--|-----------------------|
| 6/30/2008         | 7/1/2007                 | \$ 4,468,165                  | 4,634,483                       | (166,318)                          | 96.4%              | 1,272,267           | 13%                                      | 7%                    |
| 6/30/2006         | 7/1/2005                 | \$ 3,908,037                  | 3,819,632                       | (88,405)                           | 102.3%             | 1,201,722           | -7%                                      | 7%                    |
| 6/30/2004         | 7/1/2003                 | \$ 3,529,647                  | 3,251,778                       | (277,869)                          | 108.5%             | 1,200,575           | -23%                                     | 7%                    |
| 6/30/2002         | 7/1/2001                 | \$ 3,191,483                  | 2,738,451                       | (453,032)                          | 116.5%             | 1,101,779           | -41%                                     | 7%                    |

| Fiscal Year Ended | Actuarial Method | Amortization Period | Market Value Assets | Annual Required Contribution(ARC) | Actual Contribution | Net Pension Obligation/ (Asset) NPO | % of ARC Contributed | Salary Assumption |
|-------------------|------------------|---------------------|---------------------|-----------------------------------|---------------------|-------------------------------------|----------------------|-------------------|
| 6/30/2007         | Aggregate Costs  | N/A                 | \$ 4,516,491        | \$ 181,358                        | \$ 181,358          | 0                                   | 100%                 | 4%                |
| 6/30/2005         | Aggregate Costs  | N/A                 | \$ 3,959,468        | \$ 133,442                        | \$ 133,442          | 0                                   | 100%                 | 4%                |
| 6/30/2003         | Aggregate Costs  | N/A                 | \$ 3,461,801        | \$ 102,917                        | \$ 102,917          | 0                                   | 100%                 | 4%                |
| 6/30/2002         | Aggregate Costs  | N/A                 | \$ 3,229,064        | \$ 98,086                         | \$ 98,086           | 0                                   | 100%                 | 4%                |
| 6/30/2001         | Aggregate Costs  | N/A                 | \$ 3,194,878        | \$ 81,889                         | \$ 81,889           | 0                                   | 100%                 | 4%                |

See auditors' report and notes to required supplementary information.

CITY OF GALLATIN, TENNESSEE  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2007

|                                      | Permanent Funds          |                              |   |                           |   |              |
|--------------------------------------|--------------------------|------------------------------|---|---------------------------|---|--------------|
|                                      | Special<br>Revenue Funds | Capital<br>Projects<br>Funds | Thomas A.<br>Witherspoon<br>Educational<br>Memorial<br>Trust Fund | Cemetery<br>Trust<br>Fund | Total<br>Non-major<br>Governmental<br>Funds |              |
| <b>Assets</b>                        |                          |                              |   |                           |   |              |
| Cash and Cash Equivalents            | \$ 516,678               | \$ 244,797                   | \$ 54,471   | \$ 510                    | \$  | \$ 816,456   |
| Receivables, net                     | -                        | 143,639                      | 269,441   | -                         | -   | 413,080      |
| Due From Other Funds                 | -                        | -                            | -   | -                         | -   | -            |
| Construction in Progress             | -                        | -                            | -   | -                         | -   | -            |
| Inventory                            | -                        | -                            | -   | -                         | -   | -            |
| Restricted Cash and Cash Equivalents | -                        | -                            | -   | -                         | -   | -            |
| Other Assets                         | -                        | -                            | -   | -                         | -   | -            |
| Total Assets                         | \$ 516,678               | \$ 388,436                   | \$ 323,911  | \$ 510                    | \$  | \$ 1,229,536 |
| <b>Liabilities and Fund Equity</b>   |                          |                              |   |                           |   |              |
| <b>Liabilities</b>                   |                          |                              |   |                           |   |              |
| Accounts Payable                     | \$ 71,120                | \$                           | \$  | \$                        | \$  | \$ 71,120    |
| Due To Other Funds                   | -                        | -                            | -   | -                         | -   | -            |
| Accrued Liabilities                  | 183,700                  | -                            | -   | -                         | -   | 183,700      |
| Total Liabilities                    | 254,820                  | -                            | -   | -                         | -   | 254,820      |
| <b>Fund Balances</b>                 |                          |                              |   |                           |   |              |
| Unreserved:                          |                          |                              |   |                           |   |              |
| Designated for Specific Projects     | 261,859                  | 388,436                      | 308,911   | 510                       | 959,716                                     |              |
| Reserved For:                        |                          |                              |   |                           |   |              |
| Inventory                            | -                        | -                            | -   | -                         | -   | -            |
| Endowments                           | -                        | -                            | 15,000  | -                         | 15,000                                      |              |
| Total Fund Balances                  | 261,859                  | 388,436                      | 323,911   | 510                       | 974,716                                     |              |
| Total Liabilities and Fund Balances  | \$ 516,678               | \$ 388,436                   | \$ 323,911  | \$ 510                    | \$  | \$ 1,229,536 |



**CITY OF GALLATIN, TENNESSEE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2007**

|  | Permanent Funds       |                      |   |                     |                                    |
|--|-----------------------|----------------------|---|---------------------|------------------------------------|
|  | Special Revenue Funds |                      | Thomas A. Witherspoon Educational Memorial Trust Fund | Cemetery Trust Fund | Total Non-major Governmental Funds |
|  | Drug Fund             | Industrial Park Fund |   |                     |                                    |
| <b>Revenues</b>                              |                       |                      |   |                     |                                    |
| Charges for Services                         | -                     | \$ -                 | \$ -  | \$ -                | \$ -                               |
| Interest                                     | 1,604                 | 4,860                | 10,998  | 3,305               | 20,767                             |
| Drug Related Fines and Fines                 | 230,736               | -                    | -   | -                   | 230,736                            |
| Sale of Property                             | -                     | -                    | -   | -                   | -                                  |
| Miscellaneous:                               |                       |                      |   |                     |                                    |
| Sale of Supplies                             | -                     | -                    | -   | -                   | -                                  |
| Other Revenue                                | -                     | -                    | 1,277   | -                   | 1,277                              |
| Total Revenues                               | 232,341               | 4,860                | 12,275  | 3,305               | 252,781                            |
| <b>Expenditures</b>                          |                       |                      |   |                     |                                    |
| Salaries, Taxes and Benefits                 | -                     | -                    | -   | -                   | -                                  |
| Repairs and Maintenance                      | -                     | -                    | -   | -                   | -                                  |
| Direct Program Costs                         | 144,728               | -                    | -   | -                   | 144,728                            |
| Utilities                                    | -                     | -                    | -   | -                   | -                                  |
| Other Current Operating                      | -                     | -                    | -   | -                   | -                                  |
| Tornado Expenses                             | -                     | -                    | -   | -                   | -                                  |
| Capital Outlay                               | -                     | 25,000               | -   | -                   | 25,000                             |
| Total Expenditures                           | 144,728               | 25,000               | -   | -                   | 169,728                            |
| Excess of Revenues Over (Under) Expenditures | 87,613                | (20,140)             | 12,275  | 3,305               | 83,053                             |
| <b>Other Financing Sources (Uses)</b>        |                       |                      |   |                     |                                    |
| Debt Issuance                                | -                     | -                    | -   | -                   | -                                  |
| Insurance Proceeds                           | -                     | -                    | -   | -                   | -                                  |
| Operating Transfers In (Out)                 | -                     | (64,260)             | -   | (3,305)             | (67,565)                           |
| Total Other Financing Sources (Uses)         | -                     | (64,260)             | -   | (3,305)             | (67,565)                           |
| <b>Net Change in Fund Balances</b>           | 87,613                | (84,400)             | 12,275  | -                   | 15,488                             |
| <b>Fund Balance - July 1, 2006</b>           | 174,246               | 472,836              | 311,637   | 510                 | 959,228                            |
| <b>Fund Balances - June 30, 2007</b>         | \$ 261,859            | \$ 388,436           | \$ 323,911  | \$ 510              | \$ 974,716                         |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**Special Revenue Fund - Drug Fund**  
**For the Year Ended June 30, 2007**

|  | <u>Budgeted Amounts</u> |                   |                   | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|--|-------------------------|-------------------|-------------------|--|
|  | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |  |
| <b>Revenues</b>                              |                         |                   |                   |  |
| Fines and Fees                               | 203,000                 | 203,000           | \$ 230,736        | \$ 27,736  |
| Interest Earnings                            | -                       | -                 | 1,604             | 1,604  |
| Total Revenues                               | <u>203,000</u>          | <u>203,000</u>    | <u>232,341</u>    | <u>29,341</u>  |
| <b>Expenditures</b>                          |                         |                   |                   |  |
| Current:                                     |                         |                   |                   |  |
| Program Costs                                | 203,000                 | 203,000           | 144,728           | 58,272   |
| Total Expenditures                           | <u>203,000</u>          | <u>203,000</u>    | <u>144,728</u>    | <u>58,272</u>  |
| Excess of Revenues Over (Under) Expenditures | -                       | -                 | 87,613            | 87,613   |
| <b>Net Change in Fund Balances</b>           | -                       | -                 | 87,613            | 87,613   |
| <b>Fund Balance - July 1, 2006</b>           | <u>174,246</u>          | <u>174,246</u>    | <u>174,246</u>    | -  |
| <b>Fund Balances - June 30, 2007</b>         | <u>\$ 174,246</u>       | <u>\$ 174,246</u> | <u>\$ 261,859</u> | <u>\$ 87,613</u>   |

See auditors' report.

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
Capital Projects Fund - Industrial Park Fund  
For the Year Ended June 30, 2007**

|  | <u>Budgeted Amounts</u> |                   |                   | <b>Positive<br/>(Negative)<br/>Variance with<br/>Final</b> |
|--|-------------------------|-------------------|-------------------|--|
|  | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |  |
| <b>Revenues</b>                              |                         |                   |                   |  |
| Interest Earnings                            | \$ 3,500                | \$ 3,500          | \$ 4,860          | \$ 1,360   |
| Total Revenues                               | <u>3,500</u>            | <u>3,500</u>      | <u>4,860</u>      | <u>1,360</u>   |
| <b>Expenditures</b>                          |                         |                   |                   |  |
| Current:                                     |                         |                   |                   |  |
| Legal Services                               | 34,818                  | 34,818            | -                 | 34,818   |
| Capital Outlay                               | 236,179                 | 234,979           | 25,000            | 209,979  |
| Total Expenditures                           | <u>270,997</u>          | <u>269,797</u>    | <u>25,000</u>     | <u>244,797</u>   |
| Excess of Revenues Over (Under) Expenditures | (267,497)               | (266,297)         | (20,140)          | 246,157  |
| <b>Other Financing Sources (Uses)</b>        |                         |                   |                   |  |
| Operating Transfers In (Out)                 | (3,500)                 | (3,500)           | (64,260)          | (60,760)   |
| Total Other Financing Sources (Uses)         | <u>(3,500)</u>          | <u>(3,500)</u>    | <u>(64,260)</u>   | <u>(60,760)</u>  |
| <b>Net Change in Fund Balances</b>           | (270,997)               | (269,797)         | (84,400)          | 185,397  |
| <b>Fund Balance - July 1, 2006</b>           | <u>472,836</u>          | <u>472,836</u>    | <u>472,836</u>    | <u>-</u>   |
| <b>Fund Balances - June 30, 2007</b>         | <u>\$ 201,839</u>       | <u>\$ 203,039</u> | <u>\$ 388,436</u> | <u>\$ 185,397</u>  |

See auditors' report.

Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual Non-major Permanent Funds  
Thomas A. Witherspoon Educational Memorial Trust Fund  
For the Year Ended June 30, 2007

|  | <u>Budgeted Amounts</u> |                   |                   | Positive<br>(Negative)<br>Variance with<br>Final |
|--|-------------------------|-------------------|-------------------|--|
|  | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |  |
| <b>Revenues</b>                              |                         |                   |                   |  |
| Interest Earnings on Savings                 | \$ 1,500                | \$ 1,500          | \$ 2,538          | \$ 1,038   |
| Interest Earnings on Educational Loans       | 5,000                   | 5,000             | 8,460             | \$ 3,460   |
| Other Revenue                                | -                       | -                 | 1,277             | 1,277  |
| Total Revenues                               | <u>6,500</u>            | <u>6,500</u>      | <u>12,275</u>     | <u>5,775</u>                                     |
| <b>Expenditures</b>                          |                         |                   |                   |  |
| Current:                                     |                         |                   |                   |  |
| Legal Services                               | <u>250</u>              | <u>250</u>        | -                 | <u>250</u>                                       |
| Total Expenditures                           | <u>250</u>              | <u>250</u>        | -                 | <u>250</u>                                       |
| Excess of Revenues Over (Under) Expenditures | <u>6,250</u>            | <u>6,250</u>      | <u>12,275</u>     | <u>6,025</u>                                     |
| <b>Net Change in Fund Balances</b>           | <u>6,250</u>            | <u>6,250</u>      | <u>12,275</u>     | <u>6,025</u>                                     |
| <b>Fund Balance - July 1, 2006</b>           | <u>311,637</u>          | <u>311,637</u>    | <u>311,637</u>    | <u>-</u>   |
| <b>Fund Balances - June 30, 2007</b>         | <u>\$ 317,887</u>       | <u>\$ 317,887</u> | <u>\$ 323,911</u> | <u>\$ 6,025</u>                                  |

See auditors' report.

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual Non-major Permanent Funds  
Cemetery Trust Fund  
For the Year Ended June 30, 2007**

|  | <u>Budgeted Amounts</u> |               | <u>Actual</u> | <u>Positive<br/>(Negative)<br/>Variance with<br/>Final</u> |
|--|-------------------------|---------------|---------------|--|
|  | <u>Original</u>         | <u>Final</u>  |               |  |
| <b>Revenues</b>                              |                         |               |               |  |
| Interest Earnings                            | 2,500                   | 2,500         | \$ 3,305      | \$ 805   |
| Total Revenues                               | 2,500                   | 2,500         | 3,305         | 805  |
| <b>Expenditures</b>                          |                         |               |               |  |
| Total Expenditures                           | -                       | -             | -             | -  |
| Excess of Revenues Over (Under) Expenditures | 2,500                   | 2,500         | 3,305         | 805  |
| <b>Other Financing Sources (Uses)</b>        |                         |               |               |  |
| Operating Transfers In (Out)                 | (2,500)                 | (2,500)       | (3,305)       | (805)  |
| Total Other Financing Sources (Uses)         | (2,500)                 | (2,500)       | (3,305)       | (805)  |
| <b>Net Change in Fund Balances</b>           | -                       | -             | -             | -  |
| <b>Fund Balance - July 1, 2006</b>           | 510                     | 510           | 510           | -  |
| <b>Fund Balances - June 30, 2007</b>         | <u>\$ 510</u>           | <u>\$ 510</u> | <u>\$ 510</u> | <u>\$ -</u>  |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Expenditures of Federal and State Financial Assistance**  
**For the Year Ended June 30, 2007**

| <u>Grantor Agency</u>                                      | <u>CFDA<br/>Number</u> | <u>Program Name</u>                   | <u>Beginning<br/>(Accrued) Deferred</u> | <u>Cash<br/>Receipts</u> | <u>Expenditures</u>   | <u>Ending<br/>(Accrued) Deferred</u> |
|--|------------------------|---------------------------------------|---|--------------------------|-----------------------|--------------------------------------|
| <b>Federal Awards</b>                                      |                        |                                       |   |                          |                       |                                      |
| US Dept of Homeland Security                               | 97.044                 | 05 Assistance to Firefighters         | \$ -                                    | \$ 61,787                | \$ (61,787)           | \$ -                                 |
| Local Law Enforcement Block Grant                          | 16.592                 | Police Salary Supplement              | -                                       | 31,800                   | (31,800)              | -                                    |
| Local Law Enforcement Block Grant                          | 16.592                 | Fire Salary Supplement                | -                                       | 17,550                   | (17,550)              | -                                    |
| Federal Emergency Management Agency                        | 97.036                 | Katrina                               | 24,771                                  | 7,991                    | (32,763)              | -                                    |
| Federal Emergency Management Agency                        | 97.036                 | Z-06-034036-01                        | -                                       | 56,484                   | (862,384)             | (805,901)                            |
| US Dept of Justice   | 16.738                 | Edward Byrne Memorial Justice         | -                                       | 4,000                    | (4,000)               | -                                    |
| TML Safety Grant   | N/A                    | 2007-08 Safety Partners Grant Program | -                                       | 2,000                    | (2,000)               | -                                    |
| US Dept of Justice   | 16.738                 | Edward Byrne Memorial Justice         | 1,405                                   | -                        | (1,405)               | -                                    |
| <b>Total Federal Awards</b>                                |                        |                                       | <u>26,176</u>                           | <u>181,612</u>           | <u>(1,013,689)</u>    | <u>(805,901)</u>                     |
| <b>State Financial Assistance</b>                          |                        |                                       |   |                          |                       |                                      |
| Fast Track Grant   | GG-07-12742-00         | FIDP/Samick Music                     | -                                       | 152,941                  | (152,941)             | -                                    |
| TDOT   | Z-07-035804-00         | Highway Safety Grant                  | -                                       | 69,272                   | (105,068)             | (35,796)                             |
| TDOT   | Z-07-035681-00         | Highway Safety Grant                  | -                                       | 15,309                   | (15,937)              | (628)                                |
| TDOT   | Z-07-036306-00         | Highway Safety Grant                  | -                                       | 3,765                    | (3,855)               | (90)                                 |
| TDOT   | CM-NH-25-(30)          | SR25-SR6 Right Turn (Red River Road)  | -                                       | -                        | (1,300)               | (1,300)                              |
| TDOT   | Z-07-035805-00         | Highway Safety Grant                  | -                                       | 666                      | (1,260)               | (594)                                |
| Tennessee Housing Development Agency                       | 14.239                 | Home Grant 2003                       | -                                       | 66                       | (66)                  | -                                    |
| <b>Total State Financial Assistance</b>                    |                        |                                       | <u>-</u>                                | <u>242,019</u>           | <u>(280,427)</u>      | <u>(38,407)</u>                      |
| <b>Total Federal Awards and State Financial Assistance</b> |                        |                                       | <u>\$ 26,176</u>                        | <u>\$ 423,631</u>        | <u>\$ (1,294,115)</u> | <u>\$ (844,308)</u>                  |

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Financial Assistance summarizes the expenditures of the City of Gallatin, Tennessee under the programs of the federal and state governments for the year ended June 30, 2007. The schedule is presented using the modified accrual basis of accounting.

**Note 2. Non-Cash Assistance**

For the year ended June 30, 2007, there were no Federal or State awards expended in the form of non-cash assistance.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Long-Term Debt, Principal, and Interest Requirements**  
**By Fiscal Year**  
**June 30, 2007**

| Fiscal Year<br>Ended<br>June 30, | Governmental Activities                       |            |   |              |              |             |
|----------------------------------|---|------------|---|--------------|--------------|-------------|
|                                  | General Obligation<br>Refunding Series - 2004 |            | General Obligation Public<br>Improvement Bonds - 2007 |              | Total        |             |
|                                  | Principal                                     | Interest   | Principal   | Interest     | Principal    | Interest    |
| 2008                             | 335,000                                       | 65,895     | 75,000  | 160,984      | 410,000      | 226,879     |
| 2009                             | 325,000                                       | 58,889     | 100,000   | 318,969      | 425,000      | 377,858     |
| 2010                             | 325,000                                       | 51,170     | 115,000   | 314,969      | 440,000      | 366,139     |
| 2011                             | 315,000                                       | 42,776     | 130,000   | 310,369      | 445,000      | 353,145     |
| 2012                             | 310,000                                       | 34,570     | 150,000   | 305,169      | 460,000      | 339,739     |
| 2013                             | 350,000                                       | 25,883     | 130,000   | 299,169      | 480,000      | 325,052     |
| 2014                             | 345,000                                       | 15,895     | 150,000   | 293,969      | 495,000      | 309,864     |
| 2015                             | 335,000                                       | 5,360      | 180,000   | 287,969      | 515,000      | 293,329     |
| 2016                             | -   | -          | 430,000   | 278,969      | 430,000      | 278,969     |
| 2017                             | -   | -          | 445,000   | 257,469      | 445,000      | 257,469     |
| 2018                             | -   | -          | 465,000   | 235,219      | 465,000      | 235,219     |
| 2019                             | -   | -          | 485,000   | 211,969      | 485,000      | 211,969     |
| 2020                             | -   | -          | 500,000   | 191,356      | 500,000      | 191,356     |
| 2021                             | -   | -          | 525,000   | 170,106      | 525,000      | 170,106     |
| 2022                             | -   | -          | 545,000   | 7,794        | 545,000      | 7,794       |
| 2023                             | -   | -          | 565,000   | 124,631      | 565,000      | 124,631     |
| 2024                             | -   | -          | 590,000   | 102,031      | 590,000      | 102,031     |
| 2025                             | -   | -          | 615,000   | 78,431       | 615,000      | 78,431      |
| 2026                             | -   | -          | 640,000   | 53,831       | 640,000      | 53,831      |
| 2027                             | -   | -          | 665,000   | 27,431       | 665,000      | 27,431      |
| Total                            | \$ 2,640,000                                  | \$ 300,438 | \$ 7,500,000  | \$ 3,869,819 | \$10,140,000 | \$4,331,241 |

| Fiscal Year<br>Ended<br>June 30, | Business-Type Activities                    |            |   |              |              |              |
|----------------------------------|---|------------|---|--------------|--------------|--------------|
|                                  | Water & Sewer<br>Revenue & Tax Bonds - 2004 |            | Water & Sewer<br>Revenue & Tax Bonds - 2003 |              | Total        |              |
|                                  | Principal                                   | Interest   | Principal                                   | Interest     | Principal    | Interest     |
| 2008                             | 340,000                                     | 93,356     | 200,000                                     | 174,176      | 540,000      | 267,532      |
| 2009                             | 335,000                                     | 86,188     | 205,000                                     | 168,176      | 540,000      | 254,364      |
| 2010                             | 330,000                                     | 78,294     | 210,000                                     | 162,026      | 540,000      | 240,320      |
| 2011                             | 325,000                                     | 69,700     | 215,000                                     | 155,726      | 540,000      | 225,426      |
| 2012                             | 315,000                                     | 61,294     | 220,000                                     | 148,739      | 535,000      | 210,033      |
| 2013                             | 310,000                                     | 53,094     | 230,000                                     | 141,589      | 540,000      | 194,683      |
| 2014                             | 305,000                                     | 44,256     | 235,000                                     | 130,089      | 540,000      | 174,345      |
| 2015                             | 300,000                                     | 34,881     | 245,000                                     | 119,808      | 545,000      | 154,689      |
| 2016                             | 295,000                                     | 25,103     | 255,000                                     | 110,988      | 550,000      | 136,091      |
| 2017                             | 290,000                                     | 15,050     | 265,000                                     | 101,553      | 555,000      | 116,603      |
| 2018                             | 285,000                                     | 4,988      | 275,000                                     | 91,483       | 560,000      | 96,471       |
| 2019                             | -   | -          | 285,000                                     | 80,757       | 285,000      | 80,757       |
| 2020                             | -   | -          | 300,000                                     | 69,358       | 300,000      | 69,358       |
| 2021                             | -   | -          | 310,000                                     | 57,058       | 310,000      | 57,058       |
| 2022                             | -   | -          | 325,000                                     | 44,038       | 325,000      | 44,038       |
| 2023                             | -   | -          | 340,000                                     | 30,063       | 340,000      | 30,063       |
| 2024                             | -   | -          | 355,000                                     | 15,443       | 355,000      | 15,443       |
| Total                            | \$ 3,430,000                                | \$ 566,204 | \$ 4,470,000                                | \$ 1,801,070 | \$ 7,900,000 | \$ 2,367,274 |

| Fiscal Year<br>Ended<br>June 30, | Total  |              |
|----------------------------------|--|--------------|
|                                  | Total Business-Type<br>& Governmental Activities |              |
|                                  | Principal  | Interest     |
| 2008                             | 950,000  | 494,411      |
| 2009                             | 965,000  | 632,222      |
| 2010                             | 980,000  | 606,459      |
| 2011                             | 985,000  | 578,571      |
| 2012                             | 995,000  | 549,772      |
| 2013                             | 1,020,000  | 519,735      |
| 2014                             | 1,035,000  | 484,209      |
| 2015                             | 1,060,000  | 448,018      |
| 2016                             | 980,000  | 415,060      |
| 2017                             | 1,000,000  | 374,072      |
| 2018                             | 1,025,000  | 331,690      |
| 2019                             | 770,000  | 292,726      |
| 2020                             | 800,000  | 260,714      |
| 2021                             | 835,000  | 227,164      |
| 2022                             | 870,000  | 51,832       |
| 2023                             | 905,000  | 154,694      |
| 2024                             | 945,000  | 117,474      |
| 2025                             | 615,000  | 78,431       |
| 2026                             | 640,000  | 53,831       |
| 2027                             | 665,000  | 27,431       |
| Total                            | \$ 18,040,000                                    | \$ 6,698,515 |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Property Tax Rates and Assessments**  
**Last Ten Fiscal Years**

| <b>Year of<br/>Levy</b> | <b>Tax Rate<br/>Per \$100<br/>City</b> | <b>Total<br/>Assessed<br/>Value</b> |
|-------------------------|--|-------------------------------------|
| <b>2006</b>             | <b>1.12</b>                            | <b>\$ 7,620,697</b>                 |
| <b>2005</b>             | <b>1.12</b>                            | <b>6,286,061</b>                    |
| <b>2004</b>             | <b>1.12</b>                            | <b>5,887,040</b>                    |
| <b>2003</b>             | <b>1.12</b>                            | <b>5,613,048</b>                    |
| <b>2002</b>             | <b>1.32</b>                            | <b>5,444,722</b>                    |
| <b>2001</b>             | <b>1.32</b>                            | <b>5,159,201</b>                    |
| <b>2000</b>             | <b>1.32</b>                            | <b>4,853,452</b>                    |
| <b>1999</b>             | <b>1.32</b>                            | <b>4,603,052</b>                    |
| <b>1998</b>             | <b>1.32</b>                            | <b>4,221,163</b>                    |
| <b>1997</b>             | <b>1.39</b>                            | <b>3,717,427</b>                    |

See auditors' report.



**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Uncollected Delinquent Taxes Filed**  
**June 30, 2007**

| <b>Year<br/>of Levy</b> | <b>Gross Property<br/>Taxes<br/>Receivable<br/>June 30, 2007</b> |
|-------------------------|--|
| 2006                    | \$ 225,775   |
| 2005                    | 43,930   |
| 2004                    | 29,180   |
| 2003                    | 28,934   |
| 2002                    | 46,324   |
| 2001                    | 40,047   |
| 2000                    | 12,994   |
| 1999                    | 11,040   |
| 1998                    | 14,352   |
| 1997                    | 14,573   |
| 1996                    | 12,897   |
| Totals                  | <u>\$ 480,046</u>  |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Electric Rate Structure and Customer Information**  
**For the Year Ended June 30, 2007**

**GSC (Demand from 15,001 to 25,000 kW)**

|                           |                |
|---------------------------|----------------|
| Customer charge per month | \$1,500        |
| Demand charge             | \$12.44 per kW |
| Energy charge:            |                |
| First 620 kWh             | 0.03514        |
| Additional kWh            | 0.02883        |

**MSC (Demand from 15,001 to 25,000 kW)**

|                           |                |
|---------------------------|----------------|
| Customer charge per month | \$1,500        |
| Demand charge             | \$10.10 per kW |
| Energy charge:            |                |
| First 620 kWh             | 0.02858        |
| Additional kWh            | 0.02349        |

**GSD (Demand over 25,000 kW)**

|                           |                |
|---------------------------|----------------|
| Customer charge per month | \$1,500        |
| Demand charge             | \$15.19 per kW |
| Energy charge:            |                |
| All kWh                   | 0.02834        |

**MSD (Demand over 25,000 kW)**

|                           |                |
|---------------------------|----------------|
| Customer charge per month | \$1,500        |
| Demand charge             | \$12.34 per kW |
| Energy charge:            |                |
| All kWh                   | 0.02308        |

**Outdoor Lighting (including pole)**

|                 |         |
|-----------------|---------|
| 100 Watt H.P.S. | \$7.90  |
| 150 Watt H.P.S. | \$10.51 |
| 175 Watt M.V.   | \$7.85  |
| 250 Watt H.P.S. | \$12.83 |
| 400 Watt H.P.S. | \$15.92 |

**Number of Customers at Year End:**

|                                      |                      |
|--------------------------------------|----------------------|
| Residential                          | 11,430               |
| Commercial                           | 2,472                |
| Street and athletic fields           | 43                   |
| Individually billed outdoor lighting | 37                   |
| Total                                | <u><u>13,982</u></u> |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Gas Rate Structure and Customer Information**  
**For the Year Ended June 30, 2007**

**Rates**

| <b>Residential and Commerical Rates</b> |                |                |
|---|----------------|----------------|
|   | <b>Outside</b> | <b>Inside</b>  |
| First 200 Cubic Feet                    | \$3.85 minimum | \$3.50 minimum |
| All Usage Over 200 Cubic Feet           | \$1.30/ccf     | \$1.18/ccf     |
| <b>Industrial Rates</b>                 |                |                |
| All Usage                               | \$1.18/ccf     |                |
| <b>Preferred Interruptible Rates</b>    |                |                |
| All Usage                               | \$1.03/ccf     |                |
| <b>Interruptible Rates</b>              |                |                |
| First 100,000 Cubic Feet                |                | \$.97/ccf      |
| All Usage Over 100,000 Cubic Feet       |                | \$.92/ccf      |
| <b>Residential Gas Connection Fee</b>   |                |                |
|   | <b>Outside</b> | <b>Inside</b>  |
|   | \$125          | \$100          |

**Number of Customers**

| <b>Class of Service</b> | <b>Customers</b> |             |
|-------------------------|------------------|-------------|
|                         | <b>2007</b>      | <b>2006</b> |
| Residential             | 9,976            | 9,409       |
| Commercial              | 1,120            | 1,117       |
| Industrial              | 88               | 56          |
| Interruptible           | 5                | 5           |
| Total                   | 11,189           | 10,587      |

See auditors' report.

## **Statistical Tables**

**CITY OF GALLATIN, TENNESSEE**  
**Statistical Section - Table of Contents**  
**June 30, 2007**

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CITY OF GALLATIN, TENNESSEE  
Net Assets by Component  
Last Ten Fiscal Years

|   | Fiscal Year           |                       |                       |                       |                       |             |             |             |             |             |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------|-------------|-------------|-------------|-------------|
|   | 2007                  | 2006                  | 2005                  | 2004                  | 2003                  | 2002*       | 2001*       | 2000*       | 1999*       | 1998*       |
| <b>Governmental Activities</b>                  |                       |                       |                       |                       |                       |             |             |             |             |             |
| Invested in Capital Assets, Net of Related Debt | \$ 25,940,281         | \$ 30,858,306         | \$ 26,282,195         | \$ 23,340,840         | \$ 20,324,988         | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Restricted                                      | 276,859               | 15,000                | 922,957               | 538,645               | 805,060               | -           | -           | -           | -           | -           |
| Unrestricted                                    | 19,876,514            | 8,339,620             | 8,957,037             | 9,628,934             | 9,607,473             | -           | -           | -           | -           | -           |
| Total Governmental Activities Net Assets        | <u>\$ 46,093,654</u>  | <u>\$ 39,212,926</u>  | <u>\$ 36,162,189</u>  | <u>\$ 33,508,418</u>  | <u>\$ 30,737,521</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Business-Type Activities</b>                 |                       |                       |                       |                       |                       |             |             |             |             |             |
| Invested in Capital Assets, Net of Related Debt | \$ 86,922,174         | \$ 78,646,271         | \$ 71,055,638         | \$ 67,885,890         | \$ 65,065,892         | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Unrestricted                                    | 19,344,762            | 20,545,976            | 17,055,143            | 14,082,726            | 11,194,194            | -           | -           | -           | -           | -           |
| Total Business-Type Activities Net Assets       | <u>\$ 106,266,936</u> | <u>\$ 99,192,247</u>  | <u>\$ 88,110,781</u>  | <u>\$ 81,968,616</u>  | <u>\$ 76,260,086</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Primary Government</b>                       |                       |                       |                       |                       |                       |             |             |             |             |             |
| Invested in Capital Assets, Net of Related Debt | \$ 112,862,455        | \$ 109,504,577        | \$ 97,337,833         | \$ 91,226,730         | \$ 85,390,880         | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Restricted                                      | 276,859               | 15,000                | 922,957               | 538,645               | 805,060               | -           | -           | -           | -           | -           |
| Unrestricted                                    | 39,221,276            | 28,885,596            | 26,012,180            | 23,711,660            | 20,801,667            | -           | -           | -           | -           | -           |
| Total Primary Government Net Assets             | <u>\$ 152,360,590</u> | <u>\$ 138,405,173</u> | <u>\$ 124,272,970</u> | <u>\$ 115,477,035</u> | <u>\$ 106,997,607</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

\*Fixed Asset Information was not available prior to 2003.

**CITY OF GALLATIN, TENNESSEE**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**

|   | Fiscal Year            |                        |                        |                        |                        |             |             |             |             |             |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|-------------|-------------|-------------|-------------|-------------|
|   | 2007                   | 2006                   | 2005                   | 2004                   | 2003                   | 2002        | 2001        | 2000        | 1999        | 1998        |
| <b>Expenses</b>   |                        |                        |                        |                        |                        |             |             |             |             |             |
| Governmental Activities:                                |                        |                        |                        |                        |                        |             |             |             |             |             |
| General Government                                      | \$ 4,048,053           | \$ 3,244,668           | \$ 3,334,894           | 2,881,670              | 2,865,332              | -           | -           | -           | -           | -           |
| Public Safety   | 8,926,042              | 7,710,413              | 6,766,172              | 6,246,794              | 6,076,879              | -           | -           | -           | -           | -           |
| Animal Control  | 47,119                 | 42,050                 | 40,235                 | 29,453                 | 43,104                 | -           | -           | -           | -           | -           |
| Highways, Streets and Roadways                          | 1,841,983              | 1,677,828              | 1,669,388              | 1,454,630              | 978,133                | -           | -           | -           | -           | -           |
| Public Works  | 153,821                | 156,392                | 138,488                | 146,935                | 120,399                | -           | -           | -           | -           | -           |
| Environmental Services                                  | 1,677,427              | 2,132,344              | 1,918,049              | 1,808,843              | 1,725,197              | -           | -           | -           | -           | -           |
| Parks and Recreation                                    | 2,768,383              | 2,579,035              | 2,404,761              | 2,402,647              | 2,276,060              | -           | -           | -           | -           | -           |
| Engineering   | 703,821                | 521,482                | 413,530                | 447,373                | 102,101                | -           | -           | -           | -           | -           |
| Community Services                                      | 186,640                | 182,296                | 195,591                | 154,673                | 160,383                | -           | -           | -           | -           | -           |
| Economic Development                                    | 230,687                | 202,705                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Vehicle Maintenance                                     | 333,463                | 311,944                | 302,551                | 315,462                | 379,949                | -           | -           | -           | -           | -           |
| Interest on Long-term Debt                              | 90,045                 | 105,638                | 94,489                 | 291,139                | 299,324                | -           | -           | -           | -           | -           |
| Total Governmental Activities Expenses                  | <u>21,007,484</u>      | <u>18,866,796</u>      | <u>17,268,148</u>      | <u>16,179,619</u>      | <u>15,026,861</u>      | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Business-type Activities:                               |                        |                        |                        |                        |                        |             |             |             |             |             |
| Electric Power  | 44,556,792             | 23,127,731             | 36,874,016             | 36,623,921             | 34,634,951             | -           | -           | -           | -           | -           |
| Natural Gas   | 18,901,303             | 42,349,573             | 16,953,730             | 13,980,974             | 13,189,500             | -           | -           | -           | -           | -           |
| Golf  | 947,510                | 911,903                | 913,014                | 896,171                | 840,283                | -           | -           | -           | -           | -           |
| Water and Sewer   | 7,130,595              | 6,444,961              | 5,842,660              | 5,441,054              | 5,254,474              | -           | -           | -           | -           | -           |
| Total Business-type Activities Expenses                 | <u>71,536,200</u>      | <u>72,834,168</u>      | <u>60,583,420</u>      | <u>56,942,120</u>      | <u>53,919,208</u>      | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Total Primary Government Expenses                       | <u>\$ 92,543,684</u>   | <u>\$ 91,700,964</u>   | <u>\$ 77,851,568</u>   | <u>\$ 73,121,739</u>   | <u>\$ 68,946,069</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Program Revenues</b>                                 |                        |                        |                        |                        |                        |             |             |             |             |             |
| Governmental Activities:                                |                        |                        |                        |                        |                        |             |             |             |             |             |
| Charges for Services                                    | \$ 4,366,414           | \$ 2,950,614           | \$ 2,751,837           | 2,225,531              | 2,204,828              | -           | -           | -           | -           | -           |
| Operating Grants and Contributions                      | 3,502,202              | 636,779                | 869,005                | 1,157,765              | 1,061,975              | -           | -           | -           | -           | -           |
| Capital Grants and Contributions                        | 138,751                | 1,642,282              | 1,722,591              | 1,321,300              | -                      | -           | -           | -           | -           | -           |
| Total Governmental Activities Program Revenues          | <u>8,007,367</u>       | <u>5,229,675</u>       | <u>5,343,433</u>       | <u>4,704,596</u>       | <u>3,266,803</u>       | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Business-Type Activities:                               |                        |                        |                        |                        |                        |             |             |             |             |             |
| Charges for Services:                                   |                        |                        |                        |                        |                        |             |             |             |             |             |
| Electric Power  | 46,400,568             | 44,282,807             | 38,038,137             | 38,072,015             | 35,594,644             | -           | -           | -           | -           | -           |
| Natural Gas   | 20,082,042             | 23,671,087             | 18,422,895             | 14,798,256             | 13,806,592             | -           | -           | -           | -           | -           |
| Golf  | 769,574                | 709,746                | 685,421                | 767,500                | 677,546                | -           | -           | -           | -           | -           |
| Water and Sewer   | 8,071,541              | 7,256,654              | 7,169,618              | 6,656,003              | 5,994,756              | -           | -           | -           | -           | -           |
| Operating Grants and Contributions                      | -                      | -                      | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Capital Grants and Contributions                        | 3,526,948              | 7,931,282              | 2,800,442              | 2,992,366              | 1,884,772              | -           | -           | -           | -           | -           |
| Total Business-Type Activities Program Revenues         | <u>78,850,673</u>      | <u>83,851,576</u>      | <u>67,116,513</u>      | <u>63,286,140</u>      | <u>57,958,310</u>      | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Total Primary Government Program Revenues               | <u>\$ 86,858,040</u>   | <u>\$ 89,081,251</u>   | <u>\$ 72,459,946</u>   | <u>\$ 67,990,736</u>   | <u>\$ 61,225,113</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Net (Expense)/Revenue</b>                            |                        |                        |                        |                        |                        |             |             |             |             |             |
| Governmental Activities                                 | <u>\$ (13,000,117)</u> | <u>\$ (13,637,121)</u> | <u>\$ (11,924,715)</u> | <u>\$ (11,475,023)</u> | <u>\$ (11,760,058)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Business-Type Activities                                | <u>7,314,473</u>       | <u>11,017,408</u>      | <u>6,533,093</u>       | <u>6,344,020</u>       | <u>4,039,102</u>       | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Total Primary Government Net Expense                    | <u>\$ (5,685,644)</u>  | <u>\$ (2,619,713)</u>  | <u>\$ (5,391,622)</u>  | <u>\$ (5,131,003)</u>  | <u>\$ (7,720,956)</u>  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                        |                        |                        |                        |                        |             |             |             |             |             |
| Governmental Activities:                                |                        |                        |                        |                        |                        |             |             |             |             |             |
| Property and Personality Taxes                          | \$ 7,710,687           | 6,354,160              | \$ 5,987,978           | \$ 5,724,233           | \$ 6,601,113           | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Payment in Lieu of Tax                                  | 218,147                | 201,091                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Income and Excise Taxes                                 | 440,512                | 220,822                | 1,409,098              | 1,331,015              | 1,230,562              | -           | -           | -           | -           | -           |
| Sales Taxes   | 6,752,289              | 6,154,339              | 4,154,177              | 3,876,075              | 3,916,658              | -           | -           | -           | -           | -           |
| Gasoline Tax  | 134,884                | 665,593                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Alcoholic Beverage Taxes                                | 918,743                | 875,523                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Business Taxes  | 483,682                | 388,283                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Hospitality Taxes                                       | 276,664                | 248,792                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Miscellaneous State Taxes                               | 5,519                  | 8,970                  | 1,896,131              | 1,966,921              | 2,048,212              | -           | -           | -           | -           | -           |
| Unrestricted Investment Earnings                        | 490,238                | 234,794                | 151,986                | 98,936                 | 114,238                | -           | -           | -           | -           | -           |
| Rental Income   | 58,855                 | 590,320                | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Sale of Capital Assets                                  | 15,966                 | 323,677                | -                      | 54,954                 | 642,330                | -           | -           | -           | -           | -           |
| Insurance Proceeds                                      | 26,597                 | -                      | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Miscellaneous   | 352,792                | 93,441                 | 132,450                | 246,208                | 101,002                | -           | -           | -           | -           | -           |
| Transfers, Net  | 887,035                | 826,908                | 846,667                | 830,636                | (723,756)              | -           | -           | -           | -           | -           |
| Total Governmental Activities                           | <u>18,772,610</u>      | <u>17,186,711</u>      | <u>14,578,487</u>      | <u>14,128,978</u>      | <u>13,930,359</u>      | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Business-Type Activities:                               |                        |                        |                        |                        |                        |             |             |             |             |             |
| Unrestricted Investment Earnings                        | 1,009,368              | 876,518                | 455,739                | 199,264                | 212,131                | -           | -           | -           | -           | -           |
| Sale of Capital Assets                                  | 2,181                  | 14,447                 | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Insurance Proceeds                                      | 3,304                  | -                      | -                      | -                      | -                      | -           | -           | -           | -           | -           |
| Transfers, Net  | (887,035)              | (826,908)              | (846,667)              | (830,636)              | 723,756                | -           | -           | -           | -           | -           |
| Total Business-Type Activities                          | <u>127,818</u>         | <u>64,057</u>          | <u>(390,928)</u>       | <u>(631,372)</u>       | <u>935,887</u>         | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Total Primary Government                                | <u>\$ 18,900,428</u>   | <u>\$ 17,250,768</u>   | <u>\$ 14,187,559</u>   | <u>\$ 13,497,606</u>   | <u>\$ 14,866,246</u>   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Change in Net Assets</b>                             |                        |                        |                        |                        |                        |             |             |             |             |             |
| Governmental Activities                                 | <u>5,772,493</u>       | <u>3,549,591</u>       | <u>2,653,772</u>       | <u>2,653,955</u>       | <u>2,170,301</u>       | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Business-Type Activities                                | <u>7,442,291</u>       | <u>11,081,465</u>      | <u>6,142,165</u>       | <u>5,712,648</u>       | <u>4,974,989</u>       | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Total Primary Government                                | <u>\$ 13,214,784</u>   | <u>\$ 14,631,056</u>   | <u>\$ 8,795,937</u>    | <u>\$ 8,366,603</u>    | <u>\$ 7,145,290</u>    | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**CITY OF GALLATIN, TENNESSEE**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**

|   | <b>Fiscal Year</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | <b>2007</b>          | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         | <b>2001</b>         | <b>2000</b>         | <b>1999</b>         | <b>1998</b>         |
| <b>General Fund</b>                       |                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                                  | \$ 15,874            | \$ 14,687           | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Unreserved                                | \$ 11,942,364        | \$ 8,270,705        | \$ 9,276,034        | \$ 9,469,208        | \$ 9,720,110        | \$ 9,353,606        | \$ 9,272,816        | \$ 9,400,933        | \$ 8,598,232        | \$ 7,224,876        |
| <b>Total General Fund</b>                 | <b>\$ 11,958,238</b> | <b>\$ 8,285,392</b> | <b>\$ 9,276,034</b> | <b>\$ 9,469,208</b> | <b>\$ 9,720,110</b> | <b>\$ 9,353,606</b> | <b>\$ 9,272,816</b> | <b>\$ 9,400,933</b> | <b>\$ 8,598,232</b> | <b>\$ 7,224,876</b> |
| <b>All Other Governmental Funds</b>       |                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                                  | \$ 286,734           | \$ 16,541           | \$ 15,000           | \$ 15,000           | \$ 15,000           | \$ 15,000           | \$ 15,000           | \$ 15,000           | \$ 15,000           | \$ 15,000           |
| Unreserved, reported in:                  |                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Special Revenue Funds                     | -                    | 174,246             | 192,017             | 105,662             | 106,183             | 103,385             | 81,916              | 115,670             | 101,482             | 47,457              |
| Capital Projects Funds                    | 7,910,831            | 472,836             | 457,490             | 454,291             | 454,544             | 573,096             | 760,706             | 434,002             | 475,081             | 1,996,491           |
| Permanent Funds                           | 309,421              | 297,147             | 286,970             | 278,070             | 270,381             | 261,737             | 261,511             | 246,462             | 232,325             | 218,822             |
| Unreserved                                | 12,647               | 20,985              | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| <b>Total All Other Governmental Funds</b> | <b>\$ 8,519,633</b>  | <b>\$ 981,755</b>   | <b>\$ 951,477</b>   | <b>\$ 853,023</b>   | <b>\$ 846,108</b>   | <b>\$ 953,216</b>   | <b>\$ 1,119,133</b> | <b>\$ 811,134</b>   | <b>\$ 823,888</b>   | <b>\$ 2,277,770</b> |

**CITY OF GALLATIN, TENNESSEE**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**

|   | <b>Fiscal Year</b>   |                       |                    |                       |                     |                   |                     |                   |                     |                   |
|---|----------------------|-----------------------|--------------------|-----------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|   | <b>2007</b>          | <b>2006</b>           | <b>2005</b>        | <b>2004</b>           | <b>2003</b>         | <b>2002</b>       | <b>2001</b>         | <b>2000</b>       | <b>1999</b>         | <b>1998</b>       |
| <b>Revenues</b>   |                      |                       |                    |                       |                     |                   |                     |                   |                     |                   |
| Taxes   | \$ 14,335,011        | \$ 12,472,166         | \$ 11,614,584      | \$ 10,902,829         | \$ 11,504,525       | \$ 10,871,627     | \$ 10,415,071       | \$ 10,125,388     | \$ 9,488,514        | \$ 8,647,278      |
| Licenses and Permits  | 696,601              | 529,282               | 504,675            | 344,087               | 335,201             | 262,153           | 161,999             | 191,368           | 288,283             | 213,364           |
| Fines and Forfeitures   | 1,567,133            | 966,013               | 636,128            | 331,404               | 327,416             | 355,114           | 350,244             | 353,794           | 321,681             | 287,029           |
| Charges for Services  | 2,102,680            | 1,455,320             | 1,422,581          | 947,689               | 1,419,183           | 1,239,250         | 1,304,047           | 1,237,874         | 1,180,060           | 1,127,745         |
| Intergovernmental   | 3,691,619            | 3,136,744             | 2,768,336          | 3,260,883             | 3,171,780           | 3,370,511         | 3,071,242           | 3,214,863         | 3,104,117           | 2,330,394         |
| Investment Income   | 480,238              | 234,794               | 151,986            | 98,936                | 114,238             | 183,892           | 402,527             | 424,948           | 336,060             | 285,807           |
| Rental/Property Income  | 58,865               | 590,320               | 355,013            | 106,803               | 534,195             | 54,379            | 84,970              | 155,460           | 153,915             | 147,351           |
| Miscellaneous Revenues  | 352,792              | 93,441                | 132,450            | 246,210               | 101,003             | 131,937           | 128,189             | 127,144           | 140,491             | 138,589           |
| <b>Total Revenues</b>   | <b>23,294,929</b>    | <b>19,478,080</b>     | <b>17,588,763</b>  | <b>16,236,821</b>     | <b>17,507,551</b>   | <b>16,468,663</b> | <b>15,918,298</b>   | <b>15,830,639</b> | <b>15,023,121</b>   | <b>13,177,587</b> |
| <b>Expenditures</b>   |                      |                       |                    |                       |                     |                   |                     |                   |                     |                   |
| General Government  | \$ 3,772,613         | \$ 3,028,811          | \$ 2,853,340       | \$ 2,616,026          | \$ 2,368,888        | \$ 2,242,780      | \$ 2,000,250        | \$ 1,917,202      | \$ 1,920,520        | \$ 1,602,502      |
| Public Safety   | 8,259,007            | 7,113,058             | 6,167,861          | 5,732,734             | 5,500,365           | 5,566,461         | 5,094,215           | 4,811,442         | 4,745,851           | 4,170,658         |
| Animal Control  | 47,119               | 42,050                | 39,931             | 30,308                | 43,030              | 41,141            | 77,469              | 39,193            | -                   | -                 |
| Highways and Streets  | 1,359,228            | 1,227,775             | 1,136,618          | 1,104,654             | 1,051,389           | 1,837,336         | 1,816,324           | 2,046,706         | 1,278,964           | 1,636,138         |
| Public Works  | 139,527              | 139,229               | 126,084            | 119,260               | 111,496             | 117,729           | 161,092             | 211,786           | 207,386             | 186,472           |
| Environmental Services  | 1,597,138            | 2,065,365             | 1,678,479          | 1,649,266             | 1,612,784           | 1,449,804         | 1,179,665           | 1,276,755         | 1,264,589           | 1,312,504         |
| Parks and Recreation  | 2,333,959            | 2,183,941             | 1,970,462          | 1,930,422             | 1,898,613           | 1,659,222         | 1,659,222           | 1,490,942         | 1,388,014           | 1,310,038         |
| Engineering   | 666,725              | 482,915               | 307,489            | 311,187               | 311,187             | 234,065           | 207,054             | -                 | -                   | -                 |
| Other Community Services  | 186,640              | 182,296               | 195,591            | 154,673               | 160,383             | 165,862           | 300,312             | 163,701           | 165,640             | 189,423           |
| Economic Development Agency                                     | 224,440              | 198,989               | -                  | -                     | -                   | -                 | -                   | -                 | -                   | -                 |
| Vehicle Maintenance   | 329,108              | 311,705               | 301,233            | 313,752               | 376,739             | -                 | -                   | -                 | -                   | -                 |
| Other Program Cost  | 243,714              | 125,960               | 50,339             | 30,457                | 32,395              | 24,956            | 58,504              | 33,910            | 14,999              | 12,199            |
| Debt Service:   |                      |                       |                    |                       |                     |                   |                     |                   |                     |                   |
| Principal   | 775,000              | 760,000               | 750,000            | 1,734,712             | 953,568             | 922,022           | 955,466             | 951,808           | 840,228             | 1,006,393         |
| Interest  | 90,045               | 117,245               | 141,346            | 279,742               | 216,586             | 360,513           | 352,047             | 370,706           | 625,871             | 312,017           |
| Capital Outlay  | 1,594,163            | 3,832,929             | 2,812,583          | 1,830,114             | 2,412,116           | 1,726,318         | 2,415,932           | 1,737,646         | 1,260,664           | 1,660,667         |
| <b>Total Expenditures</b>                                       | <b>21,618,426</b>    | <b>21,802,278</b>     | <b>18,530,139</b>  | <b>17,833,609</b>     | <b>17,049,541</b>   | <b>16,382,964</b> | <b>16,279,552</b>   | <b>15,053,797</b> | <b>13,739,726</b>   | <b>13,379,031</b> |
| <b>Excess of Revenues Over (Under) Expenditures</b>             | <b>1,676,503</b>     | <b>(2,324,198)</b>    | <b>(941,366)</b>   | <b>(1,594,788)</b>    | <b>458,010</b>      | <b>85,899</b>     | <b>(361,253)</b>    | <b>776,842</b>    | <b>1,283,395</b>    | <b>(201,474)</b>  |
| <b>Other Financing Sources (Uses)</b>                           |                      |                       |                    |                       |                     |                   |                     |                   |                     |                   |
| Contributions   | 466,113              | 92,070                | -                  | -                     | -                   | -                 | -                   | -                 | -                   | -                 |
| Resalement  | -                    | -                     | -                  | -                     | (723,766)           | -                 | 236,282             | 12,489            | -                   | (180,689)         |
| Forgiveness of Golf Course Debt                                 | -                    | -                     | -                  | -                     | -                   | -                 | -                   | -                 | -                   | -                 |
| Bond Proceeds less refunding                                    | 7,500,000            | -                     | -                  | 41,661                | -                   | -                 | -                   | -                 | -                   | 553,358           |
| Insurance Proceeds  | 26,597               | 323,677               | -                  | -                     | -                   | -                 | -                   | -                 | -                   | -                 |
| Sale of Capital Assets  | 15,966               | -                     | -                  | -                     | -                   | -                 | -                   | -                 | -                   | -                 |
| Operating Transfers In (Out)                                    | 887,035              | 826,907               | 846,667            | (274,229)             | -                   | 16,360            | (36,900)            | 29,558            | 141,986             | 195,368           |
| <b>Total Other Financing Sources (Uses)</b>                     | <b>8,895,711</b>     | <b>1,242,654</b>      | <b>846,667</b>     | <b>(232,568)</b>      | <b>(723,766)</b>    | <b>16,360</b>     | <b>199,382</b>      | <b>42,047</b>     | <b>141,986</b>      | <b>568,037</b>    |
| <b>Net Change in Fund Balance</b>                               | <b>\$ 10,572,214</b> | <b>\$ (1,081,544)</b> | <b>\$ (94,719)</b> | <b>\$ (1,827,356)</b> | <b>\$ (265,746)</b> | <b>\$ 102,259</b> | <b>\$ (161,871)</b> | <b>\$ 818,889</b> | <b>\$ 1,425,381</b> | <b>\$ 366,563</b> |
| <b>Debt Service as a Percentage of Non-Capital Expenditures</b> | <b>4.3%</b>          | <b>4.9%</b>           | <b>5.7%</b>        | <b>12.6%</b>          | <b>8.0%</b>         | <b>8.8%</b>       | <b>9.4%</b>         | <b>9.9%</b>       | <b>11.8%</b>        | <b>11.3%</b>      |



**CITY OF GALLATIN, TENNESSEE**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

| Fiscal Year Ended June 30, | Residential Property | Commercial Property | Industrial Property | Less: Tax-Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|----------------------------|----------------------|---------------------|---------------------|---------------------------|------------------------------|-----------------------|--------------------------------|--|
| 2007                       | \$ 376,719,045       | \$ 208,883,100      | \$ 142,513,175      | \$ 6,878,800              | \$ 728,115,320               | 1.12                  | \$ 2,458,859,601               | 29.89%   |
| 2006                       | 325,228,750          | 167,318,360         | 90,694,760          | 7,680,475                 | 671,943,489                  | 1.12                  | 2,241,616,040                  | 30.32%   |
| 2005                       | 257,565,075          | 165,853,357         | 127,310,752         | 7,060,850                 | 550,729,184                  | 1.12                  | 1,723,983,000                  | 32.35%   |
| 2004                       | 228,441,075          | 155,217,655         | 125,455,607         | 9,688,400                 | 500,954,000                  | 1.12                  | 1,669,847,000                  | 30.58%   |
| 2003                       | 215,819,650          | 149,037,416         | 128,301,776         | 9,293,025                 | 411,054,000                  | 1.32                  | 1,370,180,000                  | 30.68%   |
| 2002                       | 177,278,350          | 129,454,653         | 96,245,048          | 7,428,025                 | 389,872,000                  | 1.32                  | 1,299,573,000                  | 30.57%   |
| 2001                       | 169,198,475          | 111,780,363         | 100,653,926         | 7,954,675                 | 368,033,000                  | 1.32                  | 1,226,777,000                  | 30.65%   |
| 2000                       | 157,536,700          | 112,529,968         | 89,407,406          | 7,041,225                 | 350,607,000                  | 1.32                  | 1,168,690,000                  | 30.60%   |
| 1999                       | 150,550,275          | 103,453,530         | 56,215,759          | 7,173,675                 | 320,837,000                  | 1.32                  | 1,069,457,000                  | 30.67%   |
| 1998                       | -                    | -                   | -                   | -                         | 267,283,000                  | 1.39                  | 890,943,000                    | 30.00%   |

**Source:** State Board of Equalization.

**Note:** Property is appraised in Tennessee with the following assessment ratios:

| <u>Taxable Property</u>          | <u>Legal Assessment Ratio</u> |
|----------------------------------|-------------------------------|
| Locally Assessed Real Property:  |                               |
| Industrial and Commercial        | 40%                           |
| Residences and Farms             | 25%                           |
| Personal Tangible Property       | 30%                           |
| Agriculture, Open Space Land Act | 25%                           |
| Locally Assessed Public Utility  | 55%                           |

State assessed public utility assessments are equalized assessments certified by the Tennessee Public Service Commission. Public utility appraised values are calculated on the basis the public utility assessments average 55% of appraised value.

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**

| <b>Fiscal<br/>Year</b> | <b>City Direct Rate</b> |                         | <b>Overlapping Rate</b>  |
|------------------------|-------------------------|-------------------------|--------------------------|
|                        | <b>Basic<br/>Rate</b>   | <b>Total<br/>Direct</b> | <b>Sumner<br/>County</b> |
| 2007                   | \$1.12                  | \$1.12                  | \$2.28                   |
| 2006                   | 1.12                    | 1.12                    | \$2.28                   |
| 2005                   | 1.12                    | 1.12                    | \$2.59                   |
| 2004                   | 1.12                    | 1.12                    | \$2.59                   |
| 2003                   | 1.32                    | 1.32                    | \$2.54                   |
| 2002                   | 1.32                    | 1.32                    | \$2.54                   |
| 2001                   | 1.32                    | 1.32                    | \$2.54                   |
| 2000                   | 1.32                    | 1.32                    | \$2.54                   |
| 1999                   | 1.32                    | 1.32                    | \$2.42                   |
| 1998                   | 1.39                    | 1.39                    | \$2.90                   |

**Source:** State Board of Equalization.

**Note:** Taxes are assessed as of January 1 and are due on October 1 for City and County. Taxes are delinquent on March 1 for City and County.

**CITY OF GALLATIN, TENNESSEE**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

| <b>2007</b>                |                                       |             |  |
|----------------------------|---------------------------------------|-------------|--|
| <b>Taxpayer</b>            | <b>Taxable<br/>Assessed<br/>Value</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Taxable<br/>Assessed<br/>Value</b> |
| The Gap                    | \$ 35,887,392                         | 1           | 4.93%  |
| Hoeganaes Corporation      | 20,880,620                            | 2           | 2.87%  |
| Donnelley Printing Company | 14,022,816                            | 3           | 1.93%  |
| Stoneridge Farms           | 10,960,000                            | 4           | 1.51%  |
| Sumner Regional Hospital   | 8,467,430                             | 5           | 1.16%  |
| Bosch Braking Systems      | 6,378,988                             | 6           | 0.88%  |
| Insteel Wire Products      | 5,812,871                             | 7           | 0.80%  |
| Crescent                   | 5,205,740                             | 8           | 0.71%  |
| Bendix                     | 4,908,758                             | 9           | 0.67%  |
| Walmart                    | 4,831,140                             | 10          | 0.66%  |
| Total                      | <u>\$ 117,355,755</u>                 |             | <u>16.12%</u>  |

| <b>1998</b>                  |                                       |             |  |
|------------------------------|---------------------------------------|-------------|--|
| <b>Taxpayer</b>              | <b>Taxable<br/>Assessed<br/>Value</b> | <b>Rank</b> | <b>Percentage<br/>of Total City<br/>Taxable<br/>Assessed<br/>Value</b> |
| Donnelley Printing Company   | \$ 13,872,184                         | 1           | 4.35%  |
| Hoeganaes Corporation        | 8,063,731                             | 2           | 2.53%  |
| Bosch Braking Systems        | 6,184,440                             | 3           | 1.94%  |
| Insteel Wire Products        | 5,946,436                             | 4           | 1.86%  |
| Bellsouth Telecommunications | 4,636,966                             | 5           | 1.45%  |
| Crescent Enterprises         | 3,401,426                             | 6           | 1.07%  |
| G.F. Furniture Corporation   | 2,833,757                             | 7           | 0.89%  |
| Bendix-Jidosha Kiki Corp     | 2,396,592                             | 8           | 0.75%  |
| Littlestone Partners         | 2,336,002                             | 9           | 0.73%  |
| Walmart                      | 2,282,299                             | 10          | 0.71%  |
| Total                        | <u>\$ 51,953,833</u>                  |             | <u>19.60%</u>  |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

| Fiscal<br>Year<br>Ended<br>June 30, | Taxes Levied<br>for the<br>Fiscal Year(a) | Collected within the<br>Fiscal Year of the Levy |                       | Collections<br>in Subsequent<br>Years | Total Collections to Date |                       |
|-------------------------------------|---|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                     |   | Amount  | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2007                                | \$ 7,620,697                              | \$ 7,394,843                                    | 97.04%                | \$ 268,278                            | \$ 7,663,120              | 100.56%               |
| 2006                                | 6,286,061                                 | 6,023,784                                       | 95.83%                | 144,187                               | 6,167,971                 | 98.12%                |
| 2005                                | 5,887,040                                 | 5,732,482                                       | 97.40%                | 215,372                               | 5,947,854                 | 101.03%               |
| 2004                                | 5,613,048                                 | 5,394,388                                       | 96.10%                | 192,497                               | 5,586,885                 | 99.53%                |
| 2003                                | 5,444,722                                 | 5,196,914                                       | 95.40%                | 246,140                               | 5,443,054                 | 99.97%                |
| 2002                                | 5,169,455                                 | 4,957,912                                       | 95.90%                | 179,616                               | 5,137,528                 | 99.38%                |
| 2001                                | 4,853,452                                 | 4,641,392                                       | 95.60%                | 119,950                               | 4,761,342                 | 98.10%                |
| 2000                                | 4,603,052                                 | 4,432,342                                       | 96.30%                | 110,050                               | 4,542,392                 | 98.68%                |
| 1999                                | 4,221,163                                 | 4,090,178                                       | 96.90%                | 79,797                                | 4,169,975                 | 98.79%                |
| 1998                                | 3,717,427                                 | 3,609,001                                       | 97.10%                | 100,827                               | 3,709,828                 | 99.80%                |

**Source: (a) Per the Sumner County Tax Assessor's office**

CITY OF GALLATIN, TENNESSEE  
Water Sold by Type of Customer  
Last Ten Fiscal Years

| Type of Customer                     | Fiscal Year |           |           |           |           |           |           |           |           |           |
|--------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                      | 2007        | 2006      | 2005      | 2004      | 2003      | 2002      | 2001      | 2000      | 1999      | 1998      |
| Residential                          | 2,871,581   | 3,469,476 | 3,358,216 | 3,022,187 | 2,582,648 | 2,425,164 | 2,259,452 | 2,197,766 | 2,119,931 | 1,101,348 |
| Industrial                           | -           | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| Commercial                           | 1,408,490   | 697,085   | 748,850   | 672,222   | 561,478   | 410,448   | 413,536   | 193,843   | 292,784   | 1,289,578 |
| Military                             | -           | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| Government                           | 356,613     | 388,501   | 394,422   | 352,882   | 323,332   | 264,611   | 197,147   | 193,843   | 155,808   | -         |
| Total                                | 4,636,684   | 4,555,062 | 4,501,488 | 4,047,291 | 3,467,458 | 3,100,223 | 2,870,135 | 2,585,452 | 2,568,523 | 2,390,926 |
| Total Direct Rate<br>per 250 cu. ft. | \$ 6.50     | \$ 6.50   | 6.10      | 5.50      | 5.50      | 5.30      | 5.10      | 5.10      | 5.10      | 5.10      |

Source: David Gregory-Utility Superintendent

\*\* Rates were tracked by different type of customer in years 2005 and prior

**CITY OF GALLATIN, TENNESSEE**  
**Water and Sewer Rates**  
**Last Ten Fiscal Years**

**Water**

| Fiscal Year | Inside City Rates    |                        |                        |                        | Outside City Rates   |                        |                        |                        |
|-------------|----------------------|------------------------|------------------------|------------------------|----------------------|------------------------|------------------------|------------------------|
|             | First 250            | Next 750               | Next 2,000             | Next 3,000             | First 250            | Next 750               | Next 2,000             | Next 3,000             |
|             | Cubic Feet (minimum) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) | Cubic Feet (minimum) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) |
| 2007        | \$ 6.50              | \$ 1.80                | \$ 1.80                | \$ 1.80                | \$ 9.75              | \$ 2.70                | \$ 2.70                | \$ 2.70                |
| 2006        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2005        | 6.10                 | 1.70                   | 1.70                   | 1.70                   | 9.15                 | 2.55                   | 2.55                   | 2.55                   |
| 2004        | 5.50                 | 1.60                   | 1.60                   | 1.60                   | 8.25                 | 2.40                   | 2.40                   | 2.40                   |
| 2003        | 5.50                 | 1.50                   | 1.40                   | 1.40                   | 8.25                 | 2.25                   | 2.10                   | 2.10                   |
| 2002        | 5.30                 | 1.40                   | 1.30                   | 1.20                   | 7.95                 | 2.15                   | 1.95                   | 1.80                   |
| 2001        | 5.10                 | 1.30                   | 1.20                   | 1.00                   | 7.65                 | 1.95                   | 1.80                   | 1.50                   |
| 2000        | 5.10                 | 1.30                   | 1.20                   | 1.00                   | 7.65                 | 1.95                   | 1.80                   | 1.50                   |
| 1999        | 5.10                 | 1.30                   | 1.20                   | 1.00                   | 7.65                 | 1.95                   | 1.80                   | 1.50                   |
| 1998        | 5.10                 | 1.30                   | 1.20                   | 1.00                   | 7.65                 | 1.95                   | 1.80                   | 1.50                   |

**Sewer**

| Fiscal Year | Inside City Rates    |                        |                        |                        | Outside City Rates   |                        |                        |                        |
|-------------|----------------------|------------------------|------------------------|------------------------|----------------------|------------------------|------------------------|------------------------|
|             | First 250            | Next 750               | Next 2,000             | Next 3,000             | First 250            | Next 750               | Next 2,000             | Next 3,000             |
|             | Cubic Feet (minimum) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) | Cubic Feet (minimum) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) | Cubic Feet (per 100CF) |
| 2007        | \$ 6.50              | \$ 1.80                | \$ 1.80                | \$ 1.80                | \$ 9.75              | \$ 2.70                | \$ 2.70                | \$ 2.70                |
| 2006        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2005        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2004        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2003        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2002        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2001        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 2000        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 1999        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |
| 1998        | 6.50                 | 1.80                   | 1.80                   | 1.80                   | 9.75                 | 2.70                   | 2.70                   | 2.70                   |

**Tapping Fees**

| Meter Size | Connection Fees |         | Installation Fees |         |
|------------|-----------------|---------|-------------------|---------|
|            | Inside          | Outside | Inside            | Outside |
| 5/8 x 3/4  | \$ 300          | \$ 350  | \$ 200            | \$ 250  |
| 1"         | 350             | 400     | 300               | 350     |
| 2"         | 700             | 800     | 1,000             | 1,500   |
| 4"         | 1,400           | 1,600   | *                 | *       |
| 6"         | 1,700           | 1,900   | *                 | *       |
| 8"         | 2,500           | 3,000   | *                 | *       |
| 10"        | 4,000           | 5,000   | *                 | *       |
| 12"        | 6,000           | 8,000   | *                 | *       |

\* On meter sizes above 4", the developer shall be responsible for the entire cost of installation including materials, equipment and labor, as determined by the Water Department job cost records. Either the developer or the City may install the tap. If the developer installs the tap, it must be according to the City's material and inspection specifications.

**Inspection Fee:** \$25  
Sewer Connection

**Private Fire Protection:**  
Service to Private Hydrant \$300 per hydrant  
Service to Sprinkler System \$2 per head

**Number of Water and Sewer Customers** 12,185

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

| Fiscal Year | Governmental Activities  |                              |                           |                     |                          | Business-Type Activities |                   |                               |                |              | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|------------------------------|---------------------------|---------------------|--------------------------|--------------------------|-------------------|-------------------------------|----------------|--------------|--------------------------|-------------------------------|------------|
|             | General Obligation Bonds | Industrial Rev and Tax Bonds | Sales Tax Increment Bonds | Lease Revenue Bonds | Special Assessment Bonds | Water Bonds              | Term Loan Payable | Certificates of Participation | Capital Leases |              |                          |                               |            |
| 2007        | \$10,140,000             | -                            | -                         | -                   | -                        | \$7,900,000              | -                 | -                             | -              | \$18,040,000 | 55842.75%                | \$ 754.28                     |            |
| 2006        | 3,415,000                | -                            | -                         | -                   | -                        | 8,445,000                | -                 | -                             | -              | 11,860,000   | 40506.85%                | 495.88                        |            |
| 2005        | 4,175,000                | -                            | -                         | -                   | -                        | 8,940,000                | -                 | -                             | -              | 13,115,000   | 45946.61%                | 548.35                        |            |
| 2004        | 4,925,000                | -                            | -                         | -                   | -                        | 9,430,000                | -                 | -                             | -              | 14,355,000   | 52371.40%                | 617.95                        |            |
| 2003        | 6,359,490                | -                            | -                         | -                   | -                        | 4,428,309                | -                 | -                             | -              | 10,787,799   | 40816.49%                | 464.39                        |            |
| 2002        | 7,214,645                | -                            | -                         | -                   | -                        | 4,754,755                | -                 | -                             | -              | 11,969,400   | 46222.82%                | 515.26                        |            |
| 2001        | 7,951,667                | 185,000                      | -                         | -                   | -                        | 5,029,334                | -                 | -                             | -              | 13,166,001   | 54114.27%                | 566.77                        |            |
| 2000        | 7,436,680                | 355,000                      | -                         | -                   | -                        | 5,298,321                | -                 | -                             | -              | 13,090,001   | 54612.21%                | 636.95                        |            |
| 1999        | 8,049,035                | 510,000                      | -                         | -                   | -                        | 5,360,966                | -                 | -                             | -              | 13,920,001   | 60991.11%                | 677.34                        |            |
| 1998        | 8,559,810                | 655,000                      | -                         | -                   | -                        | 5,910,191                | -                 | -                             | -              | 15,125,001   | 68771.89%                | 735.97                        |            |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
See page 68 for personal income and population data. These ratios are calculated using the personal income and population for the prior calendar year.

**CITY OF GALLATIN, TENNESSEE**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

| Fiscal Year | General Bonded Debt Outstanding<br>(000 omitted) |                        |        | Percentage of<br>Actual Taxable<br>Value of<br>Property | Per<br>Capita |
|-------------|--|------------------------|--------|---|---------------|
|             | General<br>Obligation<br>Bonds                   | Redevelopment<br>Bonds | Total  |   |               |
| 1998        | 9,215  | -                      | 9,215  | 3.45%   | 0.45          |
| 1999        | 8,559  | -                      | 8,559  | 2.67%   | 0.42          |
| 2000        | 7,792  | -                      | 7,792  | 2.22%   | 0.38          |
| 2001        | 7,021  | -                      | 7,021  | 1.91%   | 0.30          |
| 2002        | 6,210  | -                      | 6,210  | 1.59%   | 0.27          |
| 2003        | 5,467  | -                      | 5,467  | 1.33%   | 0.24          |
| 2004        | 4,925  | -                      | 4,925  | 0.98%   | 0.21          |
| 2005        | 4,175  | -                      | 4,175  | 0.81%   | 0.17          |
| 2006        | 3,510  | -                      | 3,510  | 0.52%   | 0.15          |
| 2007        | 10,140   | -                      | 10,140 | 1.39%   | 0.42          |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
The City of Gallatin, TN, has no legal debt limit set by State law or City ordinance.  
See page 57 for property value data.  
Population data can be found on page 68.



**CITY OF GALLATIN, TENNESSEE**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2007**

| <u>Governmental Unit</u>                 | <u>(000's)<br/>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|--|---|--|--|
| <b>Debt repaid with property taxes</b>   |   |  |  |
| City of Gallatin                         | \$ 10,140                               | 100.00%  | \$ 10,140  |
| Sumner County                            | 112,000                                 | 22.45%   | 25,144   |
| <b>Other Debt</b>                        | -                                       | 0.00%  | -  |
| Subtotal, overlapping debt               |   |  | 35,284   |
| <b>Total direct and overlapping debt</b> |   |  | <u><u>\$ 35,284</u></u>                                |

**Source:** Assessed value data used to estimate applicable percentages provided by the Tennessee Comptroller of the Treasury website. Debt outstanding data provided by each governmental unit.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Gallatin. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

\*Assessed Value of Property:

|        |                  |           |
|--------|------------------|-----------|
| County | \$ 3,243,289,828 |           |
| City   | \$ 728,115,320   | \$ 0.2245 |

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**Legal Debt Margin Calculation for Fiscal Year 2007**

|   |             |
|---|-------------|
| Assessed value  | \$ -        |
| Debt limit (XX% of assessed value)                                    | -           |
| Debt applicable to limit:   |             |
| General obligation bonds  | -           |
| Less: Amount set aside for<br>repayment of general<br>obligation debt | -           |
| Total net debt applicable to limit                                    | -           |
| Legal Debt Margin   | <u>\$ -</u> |

|   | <b>Fiscal Year</b> |             |             |             |             |             |             |             |             |             |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>1998</u>        | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
| Debt limit  | \$ -               | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Total net debt applicable to limit                                      | -                  | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Legal debt margin   | <u>\$ -</u>        | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 0%                 | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |

**Note:** Currently, neither the State of Tennessee nor the City of Gallatin have a legal limitation on borrowing. The City is only subject to the lenders' debt ratios. In general, the limit would be 20-25% of the budgeted revenues.

CITY OF GALLATIN, TENNESSEE  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

| Fiscal Year | Water Revenue Bonds     |                          |                       |              | Special Assessment Bonds       |              |          |                     | Sales Tax Increment Bonds |          |          |      |
|-------------|-------------------------|--------------------------|-----------------------|--------------|--------------------------------|--------------|----------|---------------------|---------------------------|----------|----------|------|
|             | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service | Special Assessment Collections | Debt Service |          | Sales Tax Increment | Principal                 | Interest | Coverage |      |
|             |                         |                          |                       | Principal    | Interest                       | Principal    | Interest |                     |                           |          |          |      |
| 1997        | \$ 4,599,961            | \$ 2,880,803             | \$ 1,719,158          | \$ 502,233   | \$ 99,695                      | \$ -         | \$ -     | \$ -                | \$ -                      | \$ -     | \$ -     | \$ - |
| 1998        | 4,806,385               | 2,833,108                | 1,973,277             | 525,932      | 74,794                         | -            | -        | -                   | -                         | -        | -        | -    |
| 1999        | 4,897,075               | 2,903,352                | 1,993,723             | 559,661      | 279,710                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2000        | 5,365,606               | 3,055,059                | 2,310,547             | 65,353       | 257,810                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2001        | 5,362,392               | 3,271,285                | 2,091,107             | 268,986      | 240,282                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2002        | 5,874,412               | 3,467,408                | 2,407,004             | 274,579      | 228,708                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2003        | 5,994,631               | 3,514,308                | 2,480,323             | 326,444      | 216,588                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2004        | 6,656,633               | 3,509,046                | 3,147,587             | 328,309      | 203,193                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2005        | 7,218,859               | 3,719,666                | 3,499,193             | 490,000      | 320,726                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2006        | 7,133,277               | 4,224,096                | 2,909,181             | 495,000      | 295,883                        | -            | -        | -                   | -                         | -        | -        | -    |
| 2007        | 7,961,528               | 4,774,065                | 3,187,463             | 545,000      | 280,282                        | -            | -        | -                   | -                         | -        | -        | -    |

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Sales tax increment bonds are backed by the sales tax revenue produced by the sales tax rate in effect when the bonds were issued (2.5 percent) applied to the increase in retail sales in the Commons shopping area since the time.

**CITY OF GALLATIN, TENNESSEE**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>City Population</u> | <u>County Population</u> | <u>Personal Income</u> | <u>Per Capita Personal Income (d)</u> | <u>Median Age (a)</u> | <u>County School Enrollment (b)</u> | <u>County Unemployment Rate (c)</u> |
|--------------------|------------------------|--------------------------|------------------------|---------------------------------------|-----------------------|-------------------------------------|-------------------------------------|
| 2007               | 23,917 (f)             | 130,449 (a)              | 34,696                 | 32,305                                | 35.5                  | 26,528                              | 3.80%                               |
| 2006               | 23,917 (f)             | 130,449 (a)              | 34,696                 | 29,279                                | 35.5                  | 26,111                              | 3.30%                               |
| 2005               | 23,917 (f)             | 130,449 (a)              | 34,696                 | 28,544                                | 36.5                  | 25,528                              | 4.10%                               |
| 2004               | 23,230 (a)             | 130,449 (a)              | 34,696                 | 27,410                                | 36.5                  | 24,596                              | 4.70%                               |
| 2003               | 23,230 (a)             | 130,449 (a)              | 34,696                 | 26,430                                | 35.5                  | 24,069                              | 4.10%                               |
| 2002               | 23,230 (a)             | 130,449 (a)              | 34,696                 | 25,895                                | 35.5                  | 23,951                              | 3.90%                               |
| 2001               | 23,230 (a)             | 130,449 (a)              | 34,696                 | 24,330                                | 36.1                  | 23,044                              | 4.50%                               |
| 2000               | 20,551 (e)             | 123,445 (d)              | 24,807                 | 23,969                                | 33.6                  | 22,792                              | 2.90%                               |
| 1999               | 20,551 (e)             | 123,445 (d)              | 24,807                 | 22,823                                | 33.3                  | 22,472                              | 2.40%                               |
| 1998               | 20,551 (e)             | 123,445 (d)              | 24,807                 | 21,993                                | 33.2                  | 22,445                              | 3.40%                               |

**Sources:** The above information is obtained from the following:

- (a) Census Bureau
- (b) Sumner County School Board
- (c) Tennessee State Department of Labor, Statistical Services
- (d) State Estimate
- (e) Special Census by City
- (f) Special Census by Federal Bureau of Census

**Note:** Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

**CITY OF GALLATIN, TENNESSEE**  
**Principal Employers**  
**Current Year and Nine Years Ago**

| <b>Employer</b>                   | <b>2007</b>      |             |  |
|-----------------------------------|------------------|-------------|--|
|                                   | <b>Employees</b> | <b>Rank</b> | <b>Percentage of Total City Employment</b> |
| Gap Inc.                          | 1,250            | 1           | 10.14%                                     |
| Sumner Regional Medical Center    | 1,201            | 2           | 9.74%                                      |
| Volunteer State Community College | 800              | 3           | 6.49%                                      |
| R. R. Donnelley & Sons            | 320              | 4           | 2.60%                                      |
| ABC Fuel Systems                  | 305              | 5           | 2.47%                                      |
| Servpro                           | 214              | 6           | 1.74%                                      |
| Fleetwood Homes                   | 177              | 7           | 1.44%                                      |
| TVA Gallatin Fossil Plant         | 175              | 8           | 1.42%                                      |
| Charles C. Parks                  | 168              | 9           | 1.36%                                      |
| National Industrial Concepts      | 168              | 10          | 1.36%                                      |
|                                   | <b>4,778</b>     |             | <b>38.75%</b>                              |

| <b>Employer</b>                | <b>1998</b>     |             |  |
|--------------------------------|-----------------|-------------|--|
|                                | <b>Employee</b> | <b>Rank</b> | <b>Percentage of Total City Employment</b> |
| Sumner Regional Medical Center | 725             | 1           | 7.21%                                      |
| R. R. Donnelley & Sons         | 638             | 2           | 6.35%                                      |
| The Gap                        | 600             | 3           | 5.97%                                      |
| G. F. Office Furniture         | 300             | 4           | 2.98%                                      |
| Fleetwood Homes                | 300             | 5           | 2.98%                                      |
| Gapco                          | 300             | 6           | 2.98%                                      |
| Crescent Manufacturing Company | 250             | 7           | 2.49%                                      |
| ABC Technologies               | 240             | 8           | 2.39%                                      |
| Bosch Automotive               | 200             | 9           | 1.99%                                      |
| Highland Apparel               | 150             | 10          | 1.49%                                      |
|                                | <b>3,703</b>    |             | <b>36.84%</b>                              |

**Source:** Tennessee Department of Labor Workforce & Development and City of Gallatin's Economic Development

**CITY OF GALLATIN, TENNESSEE**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

| Function/Program            | Full-Time Equivalent Employees as of June 30 |      |      |      |      |      |      |      |      |      |
|-----------------------------|--|------|------|------|------|------|------|------|------|------|
|                             | 2007   | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
| General Government:         |  |      |      |      |      |      |      |      |      |      |
| Mayor's Office              | 2  | 4    | 3    | 2    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Planning                    | 7  | 6    | 5    | 5    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Finance                     | 5  | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| City Attorney               | 2  | 2    | 2    | 2    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Recorder                    | 5  | 4    | 3    | 4    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Personnel                   | 3  | 3    | 3    | 3    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Codes                       | 9  | 7    | 7    | 5    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Economic Development Agency | 2  | 2    | 2    | 2    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Information Technology      | 2  | -    | -    | -    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Public Safety:              |  |      |      |      |      |      |      |      |      |      |
| Police                      | 82   | 75   | 73   | 74   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Fire                        | 55   | 50   | 50   | 43   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Public Works                | 45   | 41   | 41   | 39   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Leisure Services            | 22   | 20   | 20   | 19   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Engineering                 | 5  | 4    | 5    | 5    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Public Utilities            | 80   | 64   | 64   | 63   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Golf Course                 | 8  | 8    | 8    | 9    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Total                       | 334  | 295  | 291  | 280  | 271  | 267  | 267  | 264  | 263  | 270  |

**Source: PERSONNEL OFFICIAL**  
**\*AUDITS PRIOR YEARS**

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See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

| <u>Function/Program</u>                                    | <u>Fiscal Year</u> |             |             |             |             |             |             |             |             |             |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | <u>2007</u>        | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
| Police   |                    |             |             |             |             |             |             |             |             |             |
| Physical arrests   | 6678               | 7363        | 8154        | 7293        | 4856        | 5204        | 5244        | 4647        | 3808        | 1333        |
| Parking violations   | 1305               | 1124        | 1429        | 1276        | 1208        | 1267        | 1457        | 1283        | 1544        | 1598        |
| Traffic violations   | 27769              | 32685       | 35499       | 16013       | 6000        | 7646        | 9771        | 7750        | 7607        | 7395        |
| Fire   |                    |             |             |             |             |             |             |             |             |             |
| Emergency responses  | 2043               | 874         | 756         | 730         | 726         | 761         | 810         | 1002        | 862         | 770         |
| Fires extinguished   | 97                 | 76          | 113         | 83          | 101         | 112         | 137         | 125         | 196         | 94          |
| Inspections  | 5602               | 2351        | 1858        | 2035        | 2676        | 2823        | 1601        | 1574        | N/A         | N/A         |
| Animal Control   |                    |             |             |             |             |             |             |             |             |             |
| Animals Restrained   | 810                | 939         | 997         | 760         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Highways and Streets                                       |                    |             |             |             |             |             |             |             |             |             |
| Street resurfacing (miles)                                 | 13.99              | 5.54        | 2.3         | 9.2         | 8.5         | 8.19        | N/A         | N/A         | N/A         | N/A         |
| Potholes repaired  | 455                | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Other Public Works   |                    |             |             |             |             |             |             |             |             |             |
| Utility cuts repaired                                      | 130                | 218         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Parks and Recreation                                       |                    |             |             |             |             |             |             |             |             |             |
| Athletic field permits issued                              | N/A                | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Community center admissions                                | 240,000            | 235,000     | 225,000     | 220,000     | 220,000     | 220,000     | 220,000     | 215,000     | 210,000     | 210,000     |
| Community Service  |                    |             |             |             |             |             |             |             |             |             |
| Number of organization benefited                           | 15                 | 15          | 15          | 12          | 12          | 14          | 17          | 17          | 20          | N/A         |
| Number of services benefited                               | 5                  | 6           | 3           | 3           | 3           | 3           | 4           | 2           | 4           | N/A         |
| Environmental Services                                     |                    |             |             |             |             |             |             |             |             |             |
| Tons hauled  | 11890              | 12278       | 11041       | 10950       | 10518       | 9949        | 9793        | 9975        | 9201        | 8991        |
| Water  |                    |             |             |             |             |             |             |             |             |             |
| New connections  | 470                | 477         | 544         | 335         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Water main breaks  | 48                 | 39          | 44          | 31          | 55          | 66          | 59          | 76          | N/A         | N/A         |
| Average daily consumption<br>(thousands of gallons)        | 6054               | 6046        | 6227        | 6400        | 6169        | 6726        | 6250        | 5591        | 5030        | 5183        |
| Peak daily consumption<br>(thousands of gallons)           | 9959               | 8535        | 7879        | 7707        | 8235        | 8100        | 8100        | 7653        | 7239        | 7021        |
| Sewer  |                    |             |             |             |             |             |             |             |             |             |
| Average daily treatment<br>(thousands of gallons)          | 5225               | 4698        | 5183        | 5200        | 5119        | 4630        | 4014        | 3950        | 4101        | 4811        |
| Electric   |                    |             |             |             |             |             |             |             |             |             |
| Average daily consumption<br>(thousands of kilowatt hours) | 2,062              | 2,092       | 2,024       | 2,089       | 2,016       | 1,900       | 2,025       | 1,828       | 1,657       | 1,545       |
| Natural Gas  |                    |             |             |             |             |             |             |             |             |             |
| Average Daily Consumption:                                 |                    |             |             |             |             |             |             |             |             |             |
| Summer -April/October<br>(thousands of cubic feet)         | 3509               | 3572        | 3986        | 3989        | 4077        | 3816        | 3382        | 3081        | 2095        | 2179        |
| Winter-November/March<br>(thousands of cubic feet)         | 7377               | 6930        | 7520        | 7903        | 8042        | 6538        | 6500        | 6495        | 5133        | 5300        |
| Golf   |                    |             |             |             |             |             |             |             |             |             |
| Rounds Played  | 45728              | 44091       | 41642       | 46415       | 41888       | 44931       | 46079       | 46079       | 51771       | N/A         |

**Sources:** Various city departments

**Notes:** Indicators are not available for the general government function.

**CITY OF GALLATIN, TENNESSEE**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

| <u>Function/Program</u>                 | <u>Fiscal Year</u> |             |             |             |             |             |             |             |             |             |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>2007</u>        | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
| Police                                  |                    |             |             |             |             |             |             |             |             |             |
| Stations                                | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Zone offices                            | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units                            | 61                 | 59          | 54          | 60          | 58          | 64          | 54          | 46          | 49          | 40          |
| Fire                                    |                    |             |             |             |             |             |             |             |             |             |
| Stations                                | 3                  | 3           | 3           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Fire trucks                             | 9                  | 9           | 9           | 7           | 7           | 7           | 6           | 6           | 6           | 5           |
| Animal Control                          |                    |             |             |             |             |             |             |             |             |             |
| Trucks                                  | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | -           | -           |
| Highways and Streets                    |                    |             |             |             |             |             |             |             |             |             |
| Streets (miles)                         | 185.25             | 183.66      | 182.45      | 180.11      | 179.25      | 176.75      | 176.75      | 173.4       | 170.6       | 168.8       |
| Streetlights                            | 3266               | 3230        | 3141        | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Traffic signals                         | 251                | 251         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Sidewalks (miles)                       | 32.76              | 29.35       | 27.6        | 27.4        | 27.4        | 24.5        | 24.5        | 8.2         | 8.2         | 8.2         |
| Parks and Recreation                    |                    |             |             |             |             |             |             |             |             |             |
| Acreage                                 | 486                | 486         | 486         | 486         | 486         | 486         | 486         | 486         | 486         | 306         |
| Playgrounds                             | 4                  | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 3           |
| Baseball/softball diamonds              | 23                 | 19          | 19          | 19          | 19          | 19          | 15          | 15          | 15          | 11          |
| Soccer/football fields                  | 8                  | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 0           |
| Community centers                       | 2                  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Volleyball Courts                       | 4                  | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Basketball Courts                       | 6                  | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Picnic Shelters                         | 13                 | 13          | 13          | 11          | 11          | 11          | 11          | 11          | 11          | 11          |
| Tennis Courts                           | 6                  | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           |
| Horseshoe Pits                          | 9                  | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 9           |
| Fishing Piers                           | 2                  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Swimming Pools                          | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Walking Trail (miles)                   | 4                  | 2.5         | 2.5         | 2.5         | 1           | 1           | 1           | 1           | 1           | 1           |
| Disc Golf (holes)                       | 18                 | 18          | 18          | 18          | 18          | 18          | 18          | 18          | 18          | 0           |
| Model Airplane Strip                    | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Skate Park                              | 1                  |             |             |             |             |             |             |             |             |             |
| Environmental Services                  |                    |             |             |             |             |             |             |             |             |             |
| Refuse Trucks                           | 13                 | 13          | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Mobile Toters                           | 10786              | 10467       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Water                                   |                    |             |             |             |             |             |             |             |             |             |
| Water mains (miles)                     | 325                | 319         | 218         | 213         | 209         | 206         | 202         | 189         | 186         | 181         |
| Fire hydrants                           | 1760               | 1715        | 1610        | 1460        | 1400        | 1350        | 1300        | 1236        | 1196        | 1146        |
| Storage capacity (thousands of gallons) | 13000              | 13000       | 8000        | 8000        | 8000        | 8000        | 8000        | 8000        | 8000        | 8000        |
| Percent of Water Loss in System         | 6.8                | 4.26        | 6.03        | 8.56        | 6.25        | 8.40        | 8.95        | 7.79        | 9.60        | 11.50       |
| Sewer                                   |                    |             |             |             |             |             |             |             |             |             |
| Sewer mains (miles)                     | 196                | 327         | 178         | 171         | 165         | 163         | 157         | 153         | 148         | 143         |
| Pump Stations                           | 37                 | 32          | 33          | 31          | 29          | 26          | 24          | 22          | 20          | 18          |
| Electric                                |                    |             |             |             |             |             |             |             |             |             |
| Natural Gas                             |                    |             |             |             |             |             |             |             |             |             |
| Gas lines (miles)                       | 338                | 328         | 313         | 305         | 300         | 345         | 335         | 315         | 312         | 307         |
| Golf                                    |                    |             |             |             |             |             |             |             |             |             |
| Acres                                   | 136                | 136         | 136         | 136         | 136         | 136         | 136         | 136         | 136         | 136         |
| Holes                                   | 18                 | 18          | 18          | 18          | 18          | 18          | 18          | 18          | 18          | 18          |
| Driving Range                           | 1                  | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |

**Sources:** Various city departments

**Note:** No capital asset indicators are available for the general government.



## **Internal Control and Compliance**

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Honorable City Council and Mayor  
City of Gallatin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gallatin, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the City of Gallatin, Tennessee's basic financial statements and have issued our report thereon dated January 9, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Gallatin Department of Electricity ("Electric Fund"), as described in our report on the City of Gallatin, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Gallatin, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gallatin, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gallatin, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings, questioned costs and responses to be significant deficiencies in internal control over financial reporting as items 07-1 through 07-4.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over

financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gallatin, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, questioned costs and responses as items 07-3 through 07-4.

We also noted certain additional matters that we reported to management of City of Gallatin, Tennessee, in a separate letter dated January 9, 2008.

The City of Gallatin, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Gallatin, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State of Tennessee, Comptroller of the Treasury's office, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 9, 2008

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## **Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Honorable City Council and Mayor  
City of Gallatin, Tennessee

We have audited the compliance of The City of Gallatin, Tennessee with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Gallatin, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The City of Gallatin, Tennessee's management. Our responsibility is to express an opinion on The City of Gallatin, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City of Gallatin, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The City of Gallatin, Tennessee's compliance with those requirements.

In our opinion, The City of Gallatin, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings, questioned costs and responses as item 07-3.

### Internal Control over Compliance

The management of The City of Gallatin, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The City of Gallatin, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Gallatin, Tennessee's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City of Gallatin, Tennessee's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an the City of Gallatin, Tennessee's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City of Gallatin, Tennessee's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Gallatin, Tennessee's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs and responses as items 07-1 through 07-3 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Gallatin, Tennessee's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The City of Gallatin, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings, questioned costs and responses. We did not audit the City of Gallatin, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State of Tennessee, Comptroller of the Treasury's office, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 9, 2008

*Parker, Parker & Associates*

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## **CITY OF GALLATIN, TENNESSEE Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2007**

### **Federal Emergency Management Agency (FEMA)**

- No prior year findings were identified.

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## CITY OF GALLATIN, TENNESSEE Schedule of Findings, Questioned Costs and Responses For the Year Ended June 30, 2007

### Summary of Auditors' Results

- The auditors' report expresses an unqualified opinion on the financial statements of the City of Gallatin, Tennessee.
- No material weaknesses were identified during the audit of the financial statements. Significant Deficiencies were identified that are not considered to be material weaknesses.
- No instances of noncompliance material to the financial statements of the City of Gallatin, Tennessee were disclosed during the audit.
- No material weaknesses were identified during the audit of the major federal award programs. Significant Deficiencies were identified that are not considered to be material weaknesses.
- The auditors' report on compliance for the major federal award programs for the City of Gallatin, Tennessee expresses an unqualified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- The programs tested as major programs included: Federal Emergency Management Agency CFDA No. 97.036.
- The threshold for distinguishing Types A and B programs was \$300,000.
- The City of Gallatin, Tennessee did not qualify as a low-risk auditee.

### Findings- Financial Statements Audit

#### **07-1. CASH COLLECTIONS** *Repeated and Modified 06-1.*

*Status:* Significant Deficiency

*Criteria:* According to Title 3, Chapter 1, Section 5 of the Internal Control and Compliance Manual for Tennessee Municipalities, all cash collections should be deposited within three days of receipt.

*Condition and Context:* Within our audit samples of 112 cash transactions for governmental funds and 125 cash transactions for proprietary funds, we noted 19 occurrences in governmental funds and 15 occurrences in proprietary funds where money was received at various city offices and not deposited within the three day requirement above.

*Effect:* The City is in violation of state law.

*Cause:* Deposits collected from the public are not consistently deposited timely by each desegregated department of the City.

*Recommendation:* We recommend that the City bring all departments collecting cash into compliance with state regulations.

*Views of Responsible Officials and Planned Corrective Actions:* Within sixty days, management will review the deposit rules with the departments that receive cash and verify that all receipts are being deposited within three days of receipt. A person in the Finance Department will be assigned to audit deposits for violations and will notify the Finance Director of any violations.

## **07-2. INTERNAL CONTROL AT GOLF COURSE *Repeated and Modified 06-2.***

*Status:* Significant Deficiency

*Criteria:* The city should maintain adequate internal controls at each location.

*Condition:* The internal control design at the golf course is deficient. There are limited internal control procedures in place to reconcile the daily transactions of the course to the general ledger.

*Context:* As part of fieldwork, we sampled daily transaction reports that are sent to the finance department to ensure they reconciled with the daily cash deposited. These reports are prepared from the cash register tapes at the course. Only one exception was noted and had already been resolved by management. We did find that the daily reports never indicated an over or short on any cash register. When we questioned management, we were told that the cash register tape is fixed by ringing up transactions to cover any over or short that may exist on that register. The daily transaction report is then prepared. We also found that it was not possible to reconcile the types of transactions (for example, sale of 9 holes vs. sale of merchandise, vs. sale of food) by the cash register tape to the daily transaction report.

*Effect:* Without detailed information on the cash register tapes of the types of daily transactions and the accurate over and short reflected on the daily transaction reports, it is difficult to determine if the daily cash deposited on the daily transaction reports was correctly recorded in the general ledger accurately and completely.

*Cause:* The cash registers used by the course are not set up to monitor the types of daily transactions in a way that matches the categories in the general ledger.

*Recommendation:* We recommend the course consider purchasing a new computer system, designed for golf course use, which will track the various types of transactions by type. This system should integrate or incorporate the cash registers so that the daily reports will be a reconciliation of transactions for the day to cash deposited. This system should consider the tracking of inventory including merchandise and food. The system should also consider golf appointments and other reporting that would assist management in managing the course on a daily basis better.

*Views of responsible officials and planned corrective actions:* Management agrees that a new computer system would greatly improve the record keeping at the golf course. Management will actively pursue purchasing a computer system designed specifically for golf courses. Management believes that a new computer system would greatly improve the tracking of the revenues, inventory control, gift certificates, food and beverage, and tee times. An appropriation for this system will be presented to the City Council in the 2008-2009 budget, with implementation to begin immediately.

Management has required the cash register to be reprogrammed to better reflect the daily activities. Management has also implemented bag tickets for the rangers' to verify that the golfer has paid the appropriate fees for 9 or 18 holes. Management is actively investigating other means to improve internal controls and performance of the Golf course.

## **07-3. PURCHASING *Repeated and Modified 06-3 and 06-4.***

*Status:* Significant Deficiency and Compliance Violation

*Criteria:* The internal control system in place for city purchasing is not adequate to prevent abuse or violation of purchasing policies set forth by the Tennessee Code Annotated ("TCA") Municipal Purchasing Act of 1983.

*Condition:* Currently each department or fund is performing their own purchasing (with minor exceptions) with required approvals from the finance department and mayor's office.

*Context:* During our audit, we noted several compliance violations where there was no bid, when a bid was required. We also noted abuse of the sole-source exception provided in the TCA. In



one instance we noted the City is purchasing *PepsiCo* products for the leisure services department as a sole-source and *Coca-Cola* products for the golf course as a sole-source.

*Effect:* The City is in violation of TCA code. In addition, the City is not taking advantage of efficiency in bulk purchasing that might exist with centralization.

*Cause:* The city has historically had a restrictive purchasing policy that for 2007 was as follows: Any item over \$250 must have a purchase order (exceptions include contracts, professional services, rental agreements or recurring monthly expenses). Purchases between \$1,000 and \$2,500 require telephone bids and purchases greater than \$2,500 require advertisement and written bids. As recommended in the 2006 audit, this policy was relaxed for fiscal year 2008. The city has historically allowed individual department heads to supervise and enforce the purchasing regulations rather than centralizing those functions.

*Recommendation:* We recommend that the city create a central purchasing department with one individual/department in charge of purchasing for all government functions. An exception might be made for the utility funds which could employ a separate purchasing agent. We believe central purchasing would strengthen the internal control process and help to prevent the violations referred to above since one set of individuals would monitor the city purchases as a whole.

*Views of Responsible Officials and Planned Corrective Actions:* Management amended the purchasing policy after last year's audit; formal bidding moved from \$2,500 to \$5,000. Likewise, informal bidding has changed from \$1,000-\$2,499.99 to \$2500-\$4999.99. This was passed by the council on September 4, 2007. In addition, management has requested a new full-time Purchasing agent position in the 2008-2009 budget. The primary responsibilities of the Purchasing agent will be to develop and implement a City-wide purchasing policy. Management will continue to monitor purchases for violations and take appropriate action when discovered.

#### **07-4. BUDGET VIOLATIONS**

*Status:* Compliance Violation

*Criteria:* The City must follow TCA regulations regarding the budgeting of expenditures.

*Condition:* The environmental services department exceeded the budgeted appropriation for expenditures as indicated in page 38 of the financial statements.

*Context:* Expenditures exceeded budget by \$51,984.

*Effect:* The City is in violation of TCA code.

*Cause:* The city failed to amend the budget ordinance to account for the overage.

*Recommendation:* We recommend that the city amend the budget ordinance as appropriate to be in compliance with TCA.

*Views of Responsible Officials and Planned Corrective Actions:* Management will ask for the budget to be amended for the overage on the Environmental Services expenditure. The unbudgeted expenses were related to the tornado in April of 2006 and the expenses were reimbursed by FEMA/TEMA, so the net effect to Environmental Services bottom line was zero.

#### **Findings and Questioned Costs- Major Federal Award Program Audit**

##### **07-3. PURCHASING Repeated and Modified 06-3 and 06-4.**

*Program No.* Federal Emergency Management Agency CFDA No. 97.036

*Questioned Costs:* None identified

07-3 remainder of finding has not been repeated below.

We have reviewed the status of prior year findings that were not related to the federal program under audit on page 77. We noted that findings 06-1 through 06-4 are modified and repeated as indicated above. Finding 06-5 was corrected during 2007.

January 9, 2008

*Parker, Parker & Associates*



**CITY OF GALLATIN, TENNESSEE**  
**Corrective Action Plan**  
**For the year ended June 30, 2007**

January 9, 2008

Federal Emergency Management Agency (FEMA)

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 3, 2007.

Audit Firm: Parker, Parker & Associates, PLC  
1000 Northchase Drive, Suite 260  
Goodlettsville, TN 37072

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Findings: Financial Statement Audit**

**07-1. CASH COLLECTIONS *Repeated and Modified 06-1.***

*Finding:* Within our audit samples of 94 cash transactions for governmental funds and 125 cash transactions for proprietary funds, we noted 14 occurrences in governmental funds and 20 occurrences in proprietary funds where money was received at various city offices and not deposited within the three day requirement above.

*Corrective Action Plan:* Within sixty days, management will review the deposit rules with the departments that receive cash and verify that all receipts are being deposited within three days of receipt. A person in the Finance Department will be assigned to audit deposits for violations and will notify the Finance Director of any violations.

**07-2. INTERNAL CONTROL AT GOLF COURSE *Repeated and Modified 06-2.***

*Finding:* The internal control design at the golf course is deficient. There are limited internal control procedures in place to reconcile the daily transactions of the course to the general ledger.

*Corrective Action Plan:* Management agrees that a new computer system would greatly improve the record keeping at the golf course. Management will actively pursue purchasing a computer system designed specifically for golf courses. Management believes that a new computer system would greatly improve the tracking of the revenues, inventory control, gift certificates, food and beverage, and tee times. An appropriation for this system will be presented to the City Council in the 2008-2009 budget, with implementation to begin immediately.

Management has required the cash register to be reprogrammed to better reflect the daily activities. Management has also implemented bag tickets for the rangers' to verify that the golfer has paid the appropriate fees for 9 or 18 holes. Management is actively investigating other means to improve internal controls and performance of the Golf course.

**07-3. PURCHASING *Repeated and Modified 06-3 and 06-4.***

*Finding:* The internal control system in place for city purchasing is not adequate to prevent abuse or violation of purchasing policies set forth by the Tennessee Code Annotated ("TCA") Municipal Purchasing Act of 1983.

*Corrective Action Plan:* Management amended the purchasing policy after last year's audit; formal bidding moved from \$2,500 to \$5,000. Likewise, informal bidding has changed from

\$1,000-\$2,499.99 to \$2500-\$4999.99. This was passed by the council on September 4, 2007. In addition, management has requested a new full-time Purchasing agent position in the 2008-2009 budget. The primary responsibilities of the Purchasing agent will be to develop and implement a City-wide purchasing policy. Management will continue to monitor purchases for violations and take appropriate action when discovered.

**07-4. BUDGET VIOLATIONS**

*Finding:* The environmental services department exceeded the budgeted appropriation for expenditures as indicated in page 38 of the financial statements.

*Corrective Action Plan:* Management will ask for the budget to be amended for the overage on the Environmental Services expenditure. The unbudgeted expenses were related to the tornado in April of 2006 and the expenses were reimbursed by FEMA/TEMA, so the net effect to Environmental Services bottom line was zero.

**Findings: Major Federal Award Program Audit**

07-3. Has not been repeated below.

If the Federal Emergency Management Agency has questions regarding this plan, please call Matt Stewart at 615-451-5963.

Sincerely Yours,

A handwritten signature in black ink that reads "Matt Stewart". The signature is written in a cursive, flowing style.

Matt Stewart  
Director of Finance